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Call for reforms gets louder (HL)

Baidura Ahmad in Auckland

THE call for a reformed international financial architecture got louder at the seventh Apec meeting taking place here when the leaders of the 21-member economies agreed to include the issue in the Auckland Declaration today.

Last year in Kuala Lumpur, the proposal was pushed aside despite being heavily promoted by Malaysia. The annual Asia-Pacific Economic Co-operation forum usually issues a declaration named after the host city.

US President Bill Clinton yesterday made a strong call for the reform of the international financial architecture, echoing Malaysia's consistent and unwavering stand on the issue.

Urging Apec economies to continue to focus on the problem, he said it would be a big mistake to ignore the destructive effects of volatile short-term capital flows.

Malaysia's head of delegation Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi said it was heartening to note that there was a growing acceptance to Malaysia's early call for a new global economic architecture that has a mechanism to monitor the flows of short-term capital.

"We can feel that more emphasis is being put on this issue," Abdullah told a Press conference for Malaysian journalists.

"We are glad that the declaration addresses some of Malaysia's concern about financial architecture reforms as well as emphasis on economic technical co-operation."

Abdullah added he would also seek to raise the matter of currency traders during the summit today.

Malaysia, or to be exact Prime Minister Datuk Seri Dr Mahathir Mohamad, was the lone voice calling for such reform at the beginning of the Asian economic crisis.

Clinton, when addressing a group of Apec businessmen at the annual Apec CEO Summit Breakfast, agreed that new ways must be sought to help the international system moderate between the cycle of boom and bust.

"We are working more closely to make sure that all, including the developing economies, have a seat at the table, through new mechanisms like the Financial Stability Forum.

"I just want to urge you all to keep this progress on course.

"I think there's a real danger that I sense growing of people to say, well, things are fine now, we don't need to continue to do anything about the financial architecture."

Clinton's statement "for progress to be on course through a new mechanism like the financial stability forum" is supportive of Malaysia's efforts to reform the global financial system.

Clinton said the Asian financial crisis came after a high tide of capital washed into the region, often highly leveraged, flowing quickly into the countries without adequate risk assessment.

He said when the tide receded just as rapidly, if not more rapidly, it left behind a legacy of mounting debt, devaluation and severe dislocation.

Although no specific mechanism is expected to be introduced at this meeting, the inclusion of the issue in the declaration could be considered a progress albeit a slow one.

As part of moves to strengthen financial markets, an initiative mooted by the Group of Seven created the Financial Stability Forum.

Today leaders will meet to endorse the declaration.

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