

14/09/1999

Leaders agree to control 'hot' funds

Baidura Ahmad in Auckland, New Zealand

THE just-concluded 7th Apec meet left Malaysia with a certain amount of satisfaction when the 21 economic leaders agreed to develop international banking standards to regulate the flow of highly leveraged institutions (HLIs) and the likes of hedge funds and currency traders.

The leaders jointly announced that they have instructed their finance ministers to come up with a set of international standard of banking practice that would allow greater transparency and accountability among banks and hopefully reduce high-risk lending especially for speculative purposes.

Although no deadline has been set for the finance ministers, the instructions are seen as a step in the right direction, particularly for Malaysia which saw its proposal for some form of regulation shot down at the two previous meetings in Vancouver and Kuala Lumpur.

Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi, who headed Malaysia's delegation here, said: "Malaysia has been at the forefront in the efforts to reform the international financial architecture, and I was happy to see that leaders of the Apec economies took the matter up spontaneously when the chair introduced the subject for discussions."

"There was unanimity in the expression of concern regarding the activities of HLIs and speculative traders that brought about economic crisis in many Apec economies.

"The discussion was intense but no one said 'no' (to the discussion)," he said at the end of the leaders summit at the Asia-Pacific Economic Co-operation forum.

He added that there was "spontaneous" interest during the meeting from leaders which included US President Bill Clinton and Japanese Prime Minister Keizo Obuchi.

Abdullah said leaders immediately identified that the problem could be addressed by stemming the flow of cheap and massive funds from banks that speculators needed to operate.

Another good news for Malaysia was when Apec leaders acknowledged and expressed understanding of the country's selective capital controls.

In summary, Abdullah said Apec 1999 had produced frank and productive discussions on issues ranging from strengthening markets, lessons from the Asian crisis and Apec's role in the future of the global economy.

New Zealand Prime Minister Jenny Shipley, the chairman of this year's summit, said leaders agreed that highly leveraged funds must be more transparent and strong financial systems were fundamental to achieve robust and open economies.

She told a Press conference that good banking standards would go a long way to strengthen domestic financial markets.

It was clear that Malaysia's position against destructive capital flows have gained much support since Prime Minister Datuk Seri Dr Mahathir Mohamad's lone voice against speculators and HLIs.

In fact, more voices - including that of Japan - are asking for Malaysia's representation on a working committee on HLIs set up by G7 in February, to listen to Malaysia's experience.

The country is already represented on the capital controls working committee which is one of the three that make up the financial stability forum mooted by G7 to come up with ways to ensure there is no repeat of the crisis. The other committee is on offshore centres.

Support for Malaysia's cause also came unexpectedly on Sunday, when Clinton said something must be done to curb speculative capital flows to prevent future financial crises.

The leaders yesterday pledged to sustain the momentum of measures that have pulled Asia out of its financial crisis by urging international financial markets to be strengthened and making highly-leveraged institutions more transparent.

At the Press conference, Abdullah also said Malaysia was encouraged by Apec's strong emphasis on trade facilitation, and economic and technical co-operation that would narrow the gap between the richest and poorest members of Apec.

He said Malaysia supported the launch of a new round of trade talks in Seattle and hoped that developing countries would be given time and opportunity to study the proposals under the agenda.

Apec economies agreed that the WTO talks in November should be concluded in a single package and take no more than three years to conclude.

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