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What's the rationale behind Singapore's decision to bring CLOB issue to WTO?

ONE wonders at the rationale behind the decision of the Singaporean Government to bring the CLOB issue to the World Trade Organisation. Is this course of action really in the interest of the Singaporean shareholders or does it only serve the political agenda of certain quarters?

While saying that the decision whether to accept any offer letter is that of individual CLOB investors alone, the Singaporean Government has said it does not favour private solutions, insisting that the CLOB issue should be resolved bilaterally.

CLOB investors have been presented with at least six options from the private sector to solve the issue.

The proposals are clear, with guidelines presented to investors who would have the liberty to consult with their stockbrokers or lawyers. Why are the private proposals being rejected by the Singapore Government and are all parties sincere in resolving the matter?

Singapore Prime Minister Goh Chok Tong said an early resolution was in the profound interest of both countries. Goh has said that he would hold talks with Prime Minister Datuk Seri Dr Mahathir Mohamad after the Chinese New Year on the issue.

On Jan 22, the Singaporean Parliament was told that its Government was anxious to solve the matter bilaterally and it was too "premature to speculate on what further steps may be necessary" if the bilateral talks failed.

The Singapore Government has also said that the matter would be for the WTO to decide. But then, wouldn't all these prolong the matter further and would serve no benefit at all to the CLOB shareholders?

The calls from the Singapore Government to resolve the issue have become more frequent and less-friendly as Singapore-based fund managers were reported to be re-balancing their portfolios in favour of the KLSE.

Why does the Singapore Government now take it upon itself to speak on behalf of the CLOB investors while before it plainly put the blame on the investors? Singapore Deputy Prime Minister Lee Hsien Loong in March 1999 told the Singaporean Parliament that Singaporean investors went into the CLOB market with a clear understanding that the shares were not subjected to Singapore rules and they faced the risks of the market.

"In fact, every transaction slip which CLOB issued when it was operating has a disclaimer that you are taking the risk and you have to know what you are doing," said Lee. On May 6, 1999 Lee told Parliament that Singaporean investors must be responsible for their own investment.

"Investors went in hoping to make good return, there was no arrangement that if they made a good return, the Government would collect a small percentage and if they went down, the Government would bear some of the losses."

It is obvious from Lee's statements that the Singaporean Government was not going to interfere, as the matter is private. The Singaporean Government was not willing to bail out its people then, so why the sudden change of attitude now?

Is it because foreign investors are buying Malaysian shares and their argument that Malaysia treats foreign investors badly has fallen on deaf ears or is it because the Singaporean election is just around the corner?

Negative sentiments can hurt the bull run on the KLSE, particularly when Malaysia is portrayed as creating barriers for resolutions to be reached. Is this what our neighbour wants?

Singapore cannot blame Malaysia for suspecting a hidden agenda when it keeps rejecting one proposal after another. If the Singaporean Government were to advise the shareholders to consider the private offers, it is akin to admitting defeat.

It would be an implicit admission of the Singapore Government's part that CLOB has been an illegal market. It would be politically incorrect to do so. The Singaporean Government would appear to have failed to safeguard the interest of the CLOB investors. This would open the gates to litigation against the Government.

So, why not do what is best to save the interest of the Singaporean Government, rather than the interest of the shareholders, and bring the matter up to the WTO? Malaysian leaders would be made to look like the "bad boys" here, while the Singaporean politicians are champions of its people. This would give them bonus political points.

CLOB has always been bad news for Malaysia. The CLOB market was used to push down Malaysian prices before. This can happen again if Malaysia gives priority to the interest of the CLOB and not Malaysian shareholders. Succumbing to the wishes of the Singaporean Government to release CLOB shares at current prices would only jeopardise the hardwork of the Malaysian people which has succeeded in bringing back life to the KLSE. There is no guarantee that massive dumping of CLOB shares in the KLSE would not take place once the shares are released.

If the Singaporean Government is really concerned about the interest of the shareholders, they should let the CLOB shareholders decide. They may advise, but should refrain from interfering. Then, it is likely that this matter would be solved the soonest possible to the benefit of all parties.

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