

September 8, 2006

APEC Touts Currency Flexibility

By **KAREN LANE**
 September 8, 2006

HANOI -- Reducing global financial imbalances requires "greater exchange-rate flexibility for some economies as appropriate in emerging Asia," according to a draft joint statement by finance ministers of the Asia-Pacific Economic Cooperation forum.

The statement seen by Dow Jones Newswires Thursday comes at a time when global attention is acutely focused on the large U.S. trade deficit and with Washington keen to see China allow its currency to appreciate to reduce Beijing's huge trade surplus with the rest of the world.

The draft said an orderly readjustment of global imbalances also requires greater national saving in the U.S., further structural reforms -- including fiscal consolidation -- in Japan and stronger domestic demand growth in other APEC member economies and in Europe. "Progress has been made but further efforts are necessary," the draft said, adding joint action was needed in a way that sustains strong regional and global economic growth.

The APEC finance ministers are meeting here for their 13th annual meeting, which concludes Friday.

In the draft, the ministers also welcomed the continued strong performance of the world economy despite higher oil prices and said that although growth in the APEC region moderated somewhat in 2005, it is still expected to surpass 4.1% this year. "Increased trade and investment have been key drivers of expanding economic prosperity in member economies," it said, adding the group remained "firmly committed" to restarting multilateral trade negotiations.


The draft also addressed the two key themes of the gathering: promoting public finance efficiency and financial-sector reform to attract capital flows.

In the draft, APEC "encouraged" member countries to regularly identify and review all tax incentives that may erode revenue bases. In light of high oil prices, many countries in the region are reassessing their energy subsidies in particular, due to the large bite they are taking out of the government purse.

While the draft urged further financial liberalization, it noted that such liberalization could expose the region to the risk of volatile international capital flows. Countries should ensure sound fiscal discipline to benefit from capital flows, it said. "It is also important to further explore more effective means of monitoring volatile cross-border capital flows," it said.

Early Thursday, U.S. Treasury Secretary Henry Paulson said he would stress the need to revive the Doha round of world-trade talks and the need to rebalance world trade at the APEC meeting. "I can't think of

DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

anything that is in the control of the collective governments of the world that can have a more positive impact on the global economy than trade liberalization," he told reporters just before taking part in the APEC meeting.

The finance ministers' gathering was Mr. Paulson's first opportunity since taking the lead at U.S. Treasury to meet his Asian counterparts at such a forum. He said global trade and investment imbalances as well as protecting the global financial system from criminal money transfers would be high on the agenda. Yet he played down the odds they would resolve these long-standing problems at this meeting.

Also on Thursday, Mr. Paulson assured Vietnamese government officials and private business leaders he will lobby the U.S. Congress to grant Vietnam permanent normal trade relations. "We are working towards Vietnam's accession to the World Trade Organization and Permanent Normal Trade Relations. That's a very important priority," Mr. Paulson told Vietnamese Prime Minister Nguyen Tan Dung.

--Elizabeth Price contributed to this article.

Write to Karen Lane at karen.lane@dowjones.com¹

URL for this article:

<http://online.wsj.com/article/SB115760842678756175.html>

Hyperlinks in this Article:

(1) <mailto:karen.lane@dowjones.com>

Copyright 2006 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.