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Chirac's support for currency regulation most timely and welcomed

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SO much was achieved in so short a time over the weekend when French President Jacques Chirac came for an overnight visit. He was on his way home from a visit to Hanoi and had decided to make a brief stopover in Langkawi to join Prime Minister Datuk Seri Dr Mahathir Mohamad for dinner and talks.

They had dinner on Sunday night and continued discussions on a wide range of issues the following morning. Chirac told a Press conference later that he had met Dr Mahathir four times in the last two years, which speaks of the two leaders' friendship and close ties, ingredients essential for good rapport and understanding.

This understanding appeared quite apparent from the Langkawi talks. Chirac said the two of them started talking on current issues the minute he touched down at Langkawi international airport, adding that they continued their dialogue "in the car, over dinner and after breakfast."

As reported, the talks yielded substantial results. Echoing much of Dr Mahathir's well-publicised comments and suggestion on currency dealing, Chirac also said that the currency trade should be regulated to prevent anarchy in the economies of some countries, particularly the developing ones.

Chirac went on to say that there must be "prudent rules" aimed at avoiding the law of the jungle in currency trading, especially excessive transactions. It was not lost on everyone at the Press conference that the French President's statement gave added impetus to the region's resolve for currency exchange to be regulated.

In the last few months, Dr Mahathir had consistently been demanding that a proper mechanism be put in place to ensure transparent dealings in currency regulations so as to prevent manipulation that could destroy the economies of developing countries.

Chirac's statement could not have come at a better time. Indeed, it would lend added courage and determination to Finance Ministers from the G15 to push for greater transparency in currency dealing. The ministers are scheduled to meet in Kuala Lumpur next month, at about the same time that the G15 central bankers meet.

The meeting follows a suggestion by Egyptian President Hosni Mubarak at the G15 Summit in Kuala Lumpur earlier this month that the group's finance ministers and central bankers should meet to work out a plan of action to tackle the issue.

G15 countries will be heartened by Chirac's support for currency regulation. Since France is a key member of the G7, Chirac's statement should not and cannot be taken lightly. If a key member of the G7 sees fit to endorse Dr Mahathir's repeated call for regulation on currency dealings, its other members should take serious note of it.

Chirac's statement appeared to have excited the 104 French journalists and cameramen accompanying him on the trip. One of them asked if his statement meant that he was in favour of restricting capital flows. Responding firmly and clearly, Chirac gave his rationale as such:

"I'm not saying that I'm against free capital flows. I'm all for it. But this is different from currency speculation. Excessive speculation by some currency traders may have a negative impact on economies, especially those in the developing regions.

"This may have a harmful effect on many economies. Freedom of movement

of capital is accepted by everyone adopting the free market system but there must be some prudent rules in managing this business. The Malaysian proposal must be studied in detail as I believe there are merits in it.

"The action by the traders are at the expense of not just developing countries but at the expense of poor people too, and I am against this, just like Dr Mahathir."

Chirac's views were somewhat more definite than those of Michel Camdessus, managing director of the International Monetary Fund. Chirac said he had spoken to Camdessus before meeting Dr Mahathir and the latter's lengthy explanation on the matter was not lost on him.

It now remains to be seen how much Chirac can do to push for currency regulation. Will Chirac be advancing his stand on the matter at the next G7 summit, another topic discussed during the two leaders' talks, reflecting the French leader's stand in today's increasingly unipolar world.

Chirac's call for a more reliable link to be established between developing countries and the G7 deserves praise and support. The French President pointed out that this could best be done by having the G15 represent developing countries at G7 summits, so that a more direct representation could be made.

In this regard, Chirac alluded to Asia's growing importance in world economy. For a long time, Japan was seen to have been Asia's spokesman. But Japan's failure to highlight the predicament of its less-developed Asian neighbours was becoming increasingly obvious.

Japan's efforts lacked focus and were grossly inadequate. In fact, it was nothing more than window dressing, a public relations exercise in international diplomacy. Only the poor can speak eloquently of their problems - not Japan, not France, not anyone else. Hence, Chirac's proposal to the G7.

A France who dares to speak her mind is good in a world increasingly dominated by only one superpower. The end of the Cold War and the demise of the former Soviet Union has given the United States new courage to rule the world in unipolar style.

Chirac and Dr Mahathir, together with several other European, Chinese and Russian leaders, have been actively pursuing a multi-polar world because they know that the idea of being under the thumb of one superpower is less than appealing.

Working on opposite sides of the globe, Chirac and Dr Mahathir know that they have much to do, and many to convince, before they can succeed.

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