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G15 strengthens South-South ties

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RECENTLY, Kuala Lumpur became host to several important international meetings. Among the most notable was the Group of 15 (G15) Meeting held in early November. It was the second time that it was held in Malaysia. The inaugural meeting was held in Kuala Lumpur in 1990. The creation of G15 was an attempt to increase economic cooperation among the South-South countries for their mutual benefit.

It would also provide a negotiating leverage in the dialogue between the North and the South.

The G15 countries have made progress in many areas. Trade has expanded. In 1996, the total trade of G15 countries amounted to US\$796 billion, an increase of 8.8 per cent over 1995. Of this, US\$72 billion was intra-G15 trade, representing nine per cent of total G15 trade. It grew by 12 per cent from 1995. The three largest exporters in G15 last year were Malaysia at US\$78 billion, Mexico at US\$73 billion and Brazil at US\$50 billion.

At the meeting in Kuala Lumpur, the economic ministers participated for the first time. Kenya was admitted as a member. It is envisaged that a country from West Asia will be added to the group.

The G15 has taken the initiative to have a dialogue with the group of seven industrialised countries (G7).

Economic issues became the focus of attention of the G15 meeting. Active exchanges took place to discuss the current currency crises facing several Asean countries. The most important result of the meeting was the understanding reached on the international financial capital market. The G15 called on the International Monetary Fund (IMF) and the World Bank to study recent development in currency markets with the view to appropriately regulating them in order to make them more open and transparent. They also tasked their ministers of finance, governors of central banks and other appropriate authorities to consider the matter and make necessary recommendations.

In his speech, Indonesian President Suharto said that the world's developed economies have benefited from globalisation but a great number of developing countries continue to be marginalised.

Even developing countries that have attained some measure of dynamism are not immune to the perils of globalisation and liberalisation. The sharp fluctuations of international financial flows and currency trading have crushed the economic and social achievements of developing countries.

In his speech, Prime Minister Datuk Seri Dr Mahathir Mohamad mentioned the concept of prosper-thy-neighbour. In the context of G15, Malaysia wanted to extend the concept across regions and continents. The main emphasis of Dr Mahathir's speech was on the currency crises faced by a number of Asean countries.

He said: "In Malaysia and in other countries of Southeast Asia, we spent decades of sweat, toil and tears since independence to develop our countries and grow our economies. Our countries recorded the highest growth rates continuously for many years. But all these seem to have come to nought when, in the space of a few months, currency traders impoverished our countries merely by devaluing our currencies.

"The international institutions in which we had placed our trust claim that they are powerless to act against these traders. The rules of trading are devised solely by the traders and these rules have been designed to benefit them. Thus for every dollar that they deposit, the bankers allow

them gearing of 20 times. Since the funds at the disposal of these traders run into billions of dollars they have more money to play with than the reserves of most developing nations."

Dr Mahathir further said that currency devaluation may be caused by certain weaknesses of a country's economy. Weak fundamentals are often cited as if these can mysteriously on their own weaken currencies.

He pointed out that currencies weaken only if currency traders sell them for US dollars. These traders are not doing so to save their investments. In fact they have no investments in the countries. What they actually do is to borrow the particular currency from foreigners or locals and then sell this currency for US dollars.

Dr Mahathir's speech and his formal and informal discussions with the G15 leaders made a deep impression. As a result the Finance Ministers and Central Bank Governors had decided to meet again soon. The leaders also decided to meet more frequently. The next summit will be held in Egypt in May next year to review global economic changes including the currency situation.

I had the opportunity to accompany the leader of the Jamaican delegation, Seymour Mullings, who is the Deputy Prime Minister. Wisma Putra had assigned a number of former ambassadors to join the leaders of G15. Jamaica will be hosting the next G15 meeting in 1999.

Jamaica has proposed to develop transportation links with Malaysia. Jamaica has also offered Kingston Port as a storage and distribution centre for Malaysian goods. The goods stored in Jamaica will be distributed in the Caribbean, Latin America and southern US markets.

I had an interesting conversation with Mullings especially on the forthcoming Commonwealth Games. Jamaica is well known as a sporting nation. The country's athletes and cricketers will feature well in the games.

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