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LEAD G15-Statement

G15 WANTS IMF AND WORLD BANK TO REGULATE CURRENCY TRADING

KUALA LUMPUR, Nov 3 (Bernama) -- Developing countries of the G15 grouping today threw their support behind Malaysia and called on the International Monetary Fund (IMF) and World Bank to study recent developments in currency markets to regulate and make them more open and transparent.

G15 leaders gathered here for their seventh summit strengthened their resolve by tasking their finance ministers, central bank governors and other appropriate authorities to consider the matter and make the necessary recommendations.

This is the first multilateral backing for the fight against currency speculators led by Malaysia's Prime Minister Datuk Seri Dr Mahathir Mohamad who is chairman of the three-day summit.

In a special one-page statement issued at the close of their opening round of meeting, the heads of state and government of the South grouping expressed their deep concern at recent developments in the international financial and capital markets.

They noted that several countries including members of the grouping had come under serious pressure arising from speculative attacks against their currencies regardless of their strong economic fundamentals.

Since then, the contagion effect had spread to equity markets in different regions of the world and this amply demonstrated that no one country could be insulated from the consequences of turbulence in the financial market, they said.

The summit is attended by nine leaders of the 16-nation grouping which includes Malaysia and Indonesia that are among Southeast Asian nations that have been hard hit by the turbulence.

Apart from Dr Mahathir, the other leaders are President Suharto of Indonesia, President Robert Mugabe of Zimbabwe, President Hosni Mubarak of Egypt, President Alberto Fujimori of Peru, President Liamine Zeroual of Algeria, Vice-President Dr Carlos Ruckauf of Argentina, Vice-President Krishan Kant of India and Deputy Prime Minister Dr Seymour Mullings of Jamaica.

The leaders said that apart from maintaining sound monetary and fiscal policies and appropriate measures to deal with the present situation, they also underscored the importance of strengthening regional and international cooperation in managing such crises in the future.

The statement came on the heels of hard-hitting remarks by the leaders on currency manipulation at the opening of the summit and during their closed session today.

Dr Mahathir himself started the ball rolling. Describing the present system of currency trading as unethical and unfair to countries under attack by speculators, he said a world trading system could not rely entirely on market forces.

It was time to draw up fair rules, he said.

Suharto, whose country is among the worst hit by currency crisis, urged developing countries to cooperate to find an immediate and effective means to stabilise the money market.

"The sharp fluctuations in international financial flow and currency trading have crushed the economic and social achievements of developing countries," he said in his first international forum since the crisis started in July with the devaluation of the Thai baht.

Indonesia has been pledged an estimated US\$30 to US\$40 billion in a bailout led by the IMF, including US\$1 billion by Malaysia.

Mubarak proposed a meeting of G15 central bank governors and financial market authorities while Fujimori called for an international mechanism to efficiently deal with the problem of monetary instability.

The manipulative attacks on the region's currencies began early this year with the attack on the Thailand's baht in July.

The devaluation shook other currencies in the region as the speculators turned to the Malaysian ringgit, Philippine peso, Indonesian rupiah and Singapore dollar.

The manipulation also spilled outside over to the region's stock markets that led to a global crash last week. -- BERNAMA

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