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Time for action, not words

FRENCH Prime Minister Lionel Jospin's observations provide evidence that rich industrialised countries are not entirely indifferent to the sufferings of nations hit by financial, currency or economic crises. His views prove that the West has opened its eyes to the seriousness of the South-East Asian crisis and its widespread effects. What's interesting about Jospin's article, that first appeared in *Le Nouvel Observateur* in Paris last week, is his unabashed admission that laissez faire capitalism could be impractical and even dangerous. The State, or Government, needs to interfere to provide some balance and stability to counter the power of market forces. Jospin seems to believe that capitalism's worst enemy, since the demise of communism, is capitalism itself. Globalisation needs regulations and the unbridled rule of the market could wreak havoc on currencies, stock markets and economies. He proposes a global effort to address crises such as South-East Asia's economic downfall, Mexico's currency crashes in 1984 and 1992 and the present alarming situation in Russia.

These views sound very similar to those of vocal leaders in countries that have been victims of, or have been subjected to the manipulations of currency speculators, although Jospin has made no mention of George Soros or other US financiers. Prime Minister Datuk Seri Dr Mahathir Mohamad and a year later, Hong Kong Finance Secretary Donald Tsang, both stressed the need for regulations and greater transparency in currency trading. While Jospin has spoken of regulations for globalisation, Dr Mahathir has identified speculators and hedge funds as neo colonialists that have reared their ugly heads since the demise of Communism and are the main forces behind liberalisation and globalisation. The crises, according to Jospin, have made it "brutally clear" that the markets must have rules. And to build the future regulatory system, reform of the operations of capital markets must be undertaken. Dr Mahathir told the annual meetings of the International Monetary Fund/World Bank in Hong Kong a year ago of the need for new rules, but was at the time perceived by the international media and economists as someone who did not know economics.

It is heartening, therefore, that the Prime Minister of France, a member of the Group of Seven (G-7) industrialised countries, has spoken of rules and reforms for the international monetary system. In calling for reforms and a global review of rules, Jospin suggested dialogue among nations, specifically with the G-7 countries. The right course, he said, is to form regional economic entities, including monetary unions, linked to one another by a system of flexible but controlled exchange rates. The rich countries, too, must seek the involvement of developing nations in the management of world financial markets, he added. All very sensible observations and proposals, indeed, but will Jospin please take these up with his colleagues from Europe, the US and Japan?

And while he is at it, there is a need to also address other issues facing the world economy today. The crises affecting South-East Asia, the bad loan syndrome in Japan, the Russian economic roulette, and the imminent storm heading for Latin America are not the only problems needing international solutions. If Jospin believes that the global approach is what the 21st century is forcing upon the world, then France and Europe and the rich in the West must also take the initiative in addressing once and for all the debt crisis facing the least-developed countries. True,

Europe and its euro and economic coordination can provide the impetus for a global effort towards a more orderly monetary system. With some of the most powerful banks and donor countries in the world, Europe can play a highly instrumental role in correcting this global anomaly that has disabled poor countries from developing beyond just being able to repay a little of their debts in order to borrow more. The Birmingham Summit last May addressed this issue but only partly. Europe has the capacity to go all the way on it and prove it is not indifferent to the sufferings of the world brought about by the current economic and monetary system. But the question is whether it has the will to move in that direction?

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