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G-15 - Abdullah

G-15 SUMMIT TO DISCUSS MALAYSIA'S PAPER ON FINANCIAL CRISIS

By: Azman Ujang

CAIRO, May 10 (Bernama) -- A paper prepared by Malaysia on the East Asian financial crisis was the focus of lively debate by foreign ministers of the Group of 15 (G-15) developing countries here Saturday ahead of the grouping's three-day summit meeting beginning Monday.

Malaysia's Foreign Minister Datuk Seri Abdullah Ahmad Badawi, who presented the paper, said after the meeting that all foreign ministers of the G-15 took part in the debate and supported Malaysia's view that the crisis was caused by instability in the financial market due to the flow of short-term capital.

The paper entitled "East Asian Crisis: Causes, Policy Responses, Lessons and Issues" will be on the agenda of summit of leaders of Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Jamaica, Kenya, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela and Zimbabwe.

Summing up the views of the foreign ministers when speaking to Malaysian journalists later Saturday, Abdullah said they called for appropriate measures to stabilise the financial market to avoid the crisis which had substantially weakened the economies of two member countries -- Malaysia and Indonesia -- from hitting other countries in the grouping.

" All agreed that the flow of short-term capital could cause havoc to economies but there cannot be one cure for all in terms of measures taken towards economic recovery," he said.

Malaysia's currency had devalued by over 50 per cent and Indonesia by many times more following the crisis which started last July while in Malaysia alone, prices of shares worth over RM200 billion have been wiped out from the stock market.

And at a forum with Egyptian businessmen earlier Saturday, Malaysian Prime Minister Datuk Seri Mahathir Mohamad, who is on a three-day official visit before attending the summit, blamed the forced devaluation of the Malaysian ringgit and Indonesia's rupiah for making both countries "so much poorer" now.

Abdullah said it was also recognised that the International Monetary Fund (IMF) could not possibly prescribe similar solutions to suit all situations in countries requiring IMF assistance.

" The foreign ministers suggested that the situation in each country be assessed comprehensively taking into account the social problems, their systems and political experiences before any measures can be prescribed for the countries concerned," he said.

This was necessary to prevent side-effects which could worsen further the already dire situation in the affected countries.

Abdullah said Malaysia's paper on the crisis would be adopted as a policy paper. It deals with the nature of the crisis and its social dimension especially unemployment and poverty, as well as lowering the living standards of countries.

"If these issues are not addressed, the possibility is that the approaches taken by agencies responsible to assist countries revive their economies will only complicate further existing economic problems," he said.

Answering a question, the foreign minister agreed that whatever views or decisions made at forums like the G-15 or other grouping, including the Asia-Europe Meeting (ASEM), were unlikely to resolve the economic crisis, and that at the end of the day, the market forces would still prevail.

"We do not expect our views to result in actions that could resolve the crisis immediately because we are facing huge problems which are beyond the capability of any one grouping to overcome.

"But let's not forget that the so-called market forces are also determined by human beings. What is important is that there is already a recognition from both the developing and developed countries over the need to regulate currency trading which is the cause of the crisis," Abdullah said.

Abdullah said he told the meeting that once stability had returned to the financial market, economies should no longer be undermined and a similar crisis averted elsewhere.

" If the value of currencies can fluctuate with the batting of the eyelid due to speculative activities, countries will become rich or poor just as easy even if their economies are fundamentally strong," he said.

On another issue, he said the G-15 would also in their joint communique come out with a stand against all forms of violence.

" We the foreign ministers at the meeting condemned violence in whatever forms whether by terrorists themselves or by those sponsoring violence.

"This issue was raised by India and a consensus was reached that it be included in the communique," Abdullah added.

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