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Financial reform: Chirac seeks summit (HL)

Ramlan Said

KUALA LUMPUR, Wed. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today he had received a letter from French President Jacques Chirac proposing that a summit of heads of state and government be held on the formulation of a new international financial architecture.

The President suggested that the summit be held at the end of the year, stressing that it was clear that Malaysia should take part in the summit.

"It looks like we have made some progress in that we (G-15 members) want to participate in the formulation of the new international financial architecture," he told a Press conference at the Sultan Salahuddin Abdul Aziz Shah Airport in Subang, Selangor.

Dr Mahathir was speaking on his return from Dhaka, Bangladesh, after attending the second Development Eight (D-8) summit which ended yesterday.

During a talk between Dr Mahathir and Chirac in Paris last month, the French President had pledged to raise the issue of G-15 countries wanting to be directly involved in the formulation of the financial architecture with fellow members of the Group of Seven nations.

The next meeting of the G-7 - comprising France, the United States, the United Kingdom, Germany, Italy, Canada and Japan - will be held in Cologne in June.

In the letter, Dr Mahathir said Chirac also agreed that progress had been made in providing the avenue for developing countries to make known their views on the need for international financial reform.

Dr Mahathir said Chirac had taken good note of Malaysia's proposal that views of developing countries be considered to bring about a more equitable financial trading system that was transparent.

As for which country would represent the G-15, Dr Mahathir said he believed the group would select its representative.

Dr Mahathir was also asked to comment on US President Bill Clinton's views which echoed those advocated by him two years ago when currency speculators wreaked havoc on currency markets.

Asked whether he was now more optimistic that reform would be made, Dr Mahathir said: "Maybe it is possible ... it is good that Clinton now seems to have a change in stand. This is crucial because if the US disagrees, everything will come to naught."

On Clinton's views that more should be done at the G-7 meeting in Cologne on financial reform, Dr Mahathir said Chirac had pledged to bring up the matter.

In a foreign policy speech delivered in San Francisco, Clinton said the need for financial reform was particularly acute whenever large amounts of foreign capital flowed into emerging markets and then flowed out quickly, bankrupting entire economies and impoverishing millions of people who had just become part of an emerging middle class.

Clinton had also said that US prosperity was not immune to a global financial crisis and that the international financial system must be reformed.

Earlier today in Dhaka, Dr Mahathir expressed satisfaction with the D-8 summit, saying the group would have to follow through on projects identified so as to make them workable and bring benefits to member countries, reports Bernama.

Malaysia's major contribution to the D-8 adopted in the Dhaka Declaration was its promotion of Islamic insurance and reinsurance among

member countries.

Other leaders who attended the summit were Bangladeshi Prime Minister Sheikh Hasina, Pakistani Prime Minister Nawar Sharif and Turkish President Suleyman Demirel.

Dr Mahathir also had bilateral meetings with Hasina as well as Iranian First Vice-President Dr Hassan Habibi on the sidelines of the summit.

The third summit will be held in Cairo in 2001.

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