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Germany to voice our concerns at G-7 meet

P. Selvarani in Frankfurt

FRANKFURT: Germany will push for the interest of emerging markets, especially on the need for leading industrial nations to concentrate on economic issues such as unemployment and poverty, as advocated by Malaysia, at the next G7 meeting in June.

The pledge to voice the concerns of Malaysia was made by German Finance Minister Oskar Lafontaine to Second Finance Minister Datuk Mustapa Mohamed during a bilateral meeting at the start of the second Asia-Europe Finance Ministers meeting which began here today.

Mustapa said the pledge by Germany was refreshing as this was the first time a leading country had publicly supported Malaysia's views on the need to address employment, income and poverty.

"It was a good meeting as it is the first time a major developed country is sharing an identical view as us on issues of the real economy," he told reporters after the meeting.

He said Malaysia now had a better chance of success in its restructuring efforts as Germany was an influential member of the G7.

The meeting of G7 members - comprising Germany, France, Canada, Japan, Britain, the United States and Italy - will be held in Cologne, Germany.

"This is very comforting to us as we have felt quite lonely since our concerns on the real economy was voiced by the Prime Minister (Dr Mahathir Mohamad) during the IMF and World Bank meetings in Hong Kong in September 1997.

"There were no voices in support of our stand and we now find comfort that there is a major developed country which shares our views.

"We hope Germany's influence in the G7 will now turn the tide in our favour," he said.

"The German Minister said France also shares a similar view and they will push this idea for more attention on the real economy," he added.

During the meeting, Germany also agreed with Malaysia on the need to set up a regulatory authority to improve financial sector supervision, especially on the activities of speculators and hedge funds.

"They also agree with our capital control policies and are of the opinion that we are doing the right thing," he said, adding that Germany also favoured a low interest-rate policy as practised by Malaysia to add liquidity to the market.

Mustapa said Malaysia had two important missions at the ASEM meeting, one of which was to explain the successes it had achieved through its economic reforms.

"We need to explain to them our recipe for economic restructuring and how it has succeeded. Our second mission is for us to get to know more about the euro as we conduct a lot of trade with Europe," he added.

Meanwhile, in a statement issued today, Japan renewed its commitment to improve financial sector supervision during a bilateral meeting with Germany.

The two countries agreed on the need to examine the possibility of introducing appropriate rules or reporting requirements for financial institutions investing in or lending to hedge funds, as well as introducing proper disclosure or reporting requirements for these funds.

Japanese Finance Minister Keiichi Miyazawa and Lafontaine also agreed that international monetary and financial systems need to be improved for a proper development of the world economy.

They said the choice of an adequate exchange rate regime with emerging countries was crucial to solve the crisis in the world financial system and avoid further turbulence.

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