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Greater acceptance now of KL's stand on capital flows

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MORTEGO Bay (Jamaica), Mon: The exact position of the Group of 15 (G-15) countries on what needs to be done to contain the harmful effects of short-term capital flows remains unclear but member nations are at least now discussing mutual assistance on adapting to changes in the global financial system.

Following the G-15 trade and economic ministers' meeting here on Saturday, it emerged that Malaysia's adoption of selective capital controls in response to the Asian crisis has gained growing acceptance, although the approach is not immediately endorsed as the preferred option for all developing economies.

And after yesterday's preparatory meeting of G-15 permanent representatives, the meeting's chairman Mr Anthony Hill noted that Malaysia's position on the hazards of massive and rapid cross-border capital flows had attracted increased attention.

He recalled that the Kuala Lumpur G-15 summit in 1997 did not achieve a consensus, but an addendum on the issue was issued together with the communique, while in 1998 the Cairo Summit included a paragraph in the final statement.

Hill said when Prime Minister Datuk Seri Dr Mahathir Mohamad first made known Malaysia's concerns in 1997, his diagnosis of the situation was considered off the mark.

Since then, Dr Mahathir's calls for global financial reforms have gained currency far and wide, including at the recent World Economic Forum in Davos, Switzerland, where some economic leaders, including those from the Group of Seven (G-7) industrialised countries, acknowledged that changes are needed.

The G-15 permanent representatives' meeting is considered significant because, like at previous summits, it tends to set the tone of discussions among the leaders beginning Wednesday.

Apart from the need to overhaul the international financial framework, the adaptability of the developing economies in a changing world and the North-South divide are also expected to feature in the final communique. Developing economies are facing enormous challenges, not least to ensure that the multilateral trading system is fair to all, and not just favour their developed counterparts.

The financial turbulence aside, the plunging world commodity prices and the raft of mega-mergers among Western corporations are but two recent developments that serve to highlight the very real threat faced by developing economies.

Meanwhile, more frequent meetings between G-15 and G-7 member nations can be expected, given the lack of progress thus far in sorting out North-South issues.

Dr Mahathir is scheduled to arrive here today while Malaysian Foreign Minister Datuk Syed Hamid Albar arrived yesterday to attend the G-15 Foreign Ministers' meeting.

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