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## Powers clash over international financial reform

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DAVOS, Sun: Government leaders, corporate chieftains and international policy makers vied with mother nature in the Swiss ski resort for attention. While delegates laboured to seek solutions to the world economic gloom, mother nature continued to shower the resort with snow, one of the heaviest Davos has experienced in years.

Like the journey to Davos which proved to be an uphill task for delegates in the snow, so too were the discussions on solutions to the world economic and financial crisis which is "fast getting out of hand". While there are "no magic wands and no easy answers", everyone agrees that there nevertheless is a need to revamp and reform the existing financial structure which was not designed for the changed world economic environment.

With the financial crisis having spread from Asia to Russia and now to Brazil there seems to be a sense of "helplessness" in trying to deal with the crisis.

This is in part due to the attitude of the developed countries which continue to dig in their heels to their respective positions while the world continues to be engulfed in chaos and millions lose their jobs and are robbed of their basic human rights of food and shelter.

Clear divisions appeared between the Group of Seven (G-7) members about overhauling the international financial regulations and the need to monitor and police capital flows.

Japan, Germany, Britain and France appeared eager to press ahead quickly with measures that would toughen regulation, monitoring and overseeing international flows of money and of hedge funds.

The US on the other hand is "wary of creating new regulatory structures". Currently the US wields considerable influence and power on the existing international regulatory organisations including the International Monetary Fund (IMF), and is certainly not prepared to see it diluted nor share it with others.

The blame continues to be laid at the door of developing countries with their alleged "lack of transparency, cronyism and lack of political will". The developed countries continue to ignore the fact that "for every bad borrower there is a bad lender" and the Western countries are guilty of the very same crimes that they accuse poor developing countries of. They also ignore the giant "sucking sound" of capitalists and hedge fund operators from developed countries whose activities continue to impoverish those in developing countries in the name of globalisation and market capitalism.

Canadian Prime Minister Jean Chretien pointed out that the Western world has "been too triumphant" about capitalism, adding that "to me capitalism hasn't come up with all the answers".

Prime Minister Datuk Seri Dr Mahathir Mohamad has spoken of the ills of capitalism and unfettered capital flows as early as July last year when the crisis first broke out with the devaluation of the Thai baht.

He was then described as a "madman" and someone who "did not understand" the world financial system and a "menace to his own country" for urging controls on currency speculation and hedge funds, which were destroying hard earned development and causing untold hardships to millions.

The voice for controls, rules and regulations for currency traders is now growing louder and is also coming from the developed world and members

of the G-7 including Canada, Germany and France. Chretien calling for currency controls said, "We cannot see prosperity disappear overnight because some boy in red suspenders in New York decides this is not a good currency" while Singapore's Senior Minister Lee Juan Yew said there is a need for "more intrusive laws as I am not allowing my currency to be rubbish".

South Africa's President Mandela, in his farewell speech to the delegates, asked "Is globalisation only to benefit the powerful and the financiers, speculators, investors and traders?"

Therein lies the dilemma for developing countries. They are being pressured and indeed at times held to ransom to open their markets and restructure in the name of globalisation only to find that their hard work over decades of building their economies and improving the lot of their people destroyed "overnight" by powerful speculators and traders at the press of a button.

Globalisation has taken over and the world does not have the necessary structure nor the instruments to deal with it. No one is being spared as a result of the current crisis, not even the US, admitted US Treasury Secretary Robert Rubin, who said that some sectors of the American economy were affected.

While the World Economic Forum (WEF) which "is committed to improving the state of the world" may not have achieved all its goals, it nevertheless provided a platform for the airing of different views on the state of the world economy.

Previously the developed world was in a state of denial and continued to accuse the crisis hit countries for the "world's ills and the problems" there is now a realisation that it is an international financial problem and needs a new architecture to deal with it. Debate on how and what needs to be done will certainly continue for sometime yet.

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