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Speed up financial reform

THERE now appears to be a flicker of light at the end of the tunnel. Almost 20 months after the outbreak of the financial crisis in East Asia, there is clearly a growing clamour for reform of the global financial structure. The signs are overwhelming.

This week, two significant developments give hope that reforms first called for by Prime Minister Datuk Seri Dr Mahathir Mohamad soon after the emergence of the first sign of the financial turmoil in August 1997, are within sight. US President Bill Clinton's latest pronouncement in a foreign policy speech that the need for financial reform is particularly acute in the light of uncontrolled large capital flows and the devastating damage they inflict on emerging economies, is seen as a change of stand. This comes as a surprise, though, in the wake of the just concluded meeting of Finance Ministers from the Group of Seven nations in Bonn where the US was reported to be resisting moves for financial market reforms. The US told its European partners to forget fancy ideas of controlling financial markets and reiterated its mantra that only sound fundamentals, not more regulation, will make the world financial system a safer place.

From Clinton's rationale for backing reforms, the US administration is seeing the light at last in that the US economy, though by far the strongest even in the face of a slowdown in much of the rest of the world, cannot remain immune forever to a global financial crisis. Reports emanating from that continent point to such a trend. The US acquiescence, albeit a little slow, is nonetheless welcomed by the world, including Malaysia. That the US has called for more to be done in the forthcoming June G-7 summit in Cologne holds the promise the world is at last getting somewhere in trying to avert future financial crises.

French President Jacques Chirac's letter to Dr Mahathir proposing that a summit of heads of state and government be held on the formulation of a new international financial architecture and that Malaysia should attend, is another morale-booster. It is clear indication that the G-15 summit's recent common stand to take on the industrialised nations in pressing for reforms has its effect. Much credit should go to Malaysia's tireless effort in vigorously pursuing this issue at every international forum. The significance of Dr Mahathir's letter to all the G-7 heads late last month in the light of the disappointing outcome of the Bonn meeting, urging them to enable developing countries to participate in the creation of a new global financial architecture, cannot be dismissed.

Now that there is a world consensus for reform of the global financial system, speed is of the essence. The time for finger-pointing and rhetorics is over. With the world's economic situation in a perilous state and the turmoil still unfolding, the proposed meeting by France should be held soon after the June G-7 summit and not at the end of the year.

At the end of the day, it is a question of will. French Prime Minister Lionel Jospin, who spoke on the excesses of globalisation recently, has this succinct message. He said the fate of the world economy and future of the international community are our common property. If a particular policy is harmful to them, it's everybody's duty to say so. There can be no world economy without world regulation. A global problem needs a global solution. That's the realistic approach which the 21st century is urging us to take.

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