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G-15 set to act against hedge funds, speculators

Mustapha Kamil in Montego Bay (Jamaica)

MORTEGO Bay (Jamaica), Tues: The Group of 15 (G-15) countries are expected to formally call for urgent development of mechanisms and rules to monitor the operations of large financial market players, including hedge funds and currency speculators.

Regarded as one of several issues adopted at the official- and ministerial-level meetings here, the call is set to be included in the final joint-communicue to be issued after the leaders' summit.

This development represents more support for Malaysia's efforts to wake up the international community to the dangers of presently uncontrolled flows of short-term capital in the global financial system.

However, the G-15 stresses that reforms in the international financial system must not affect developing nations that really need capital and which are dependent on official development assistance and other concessional flows of funds.

To balance the situation, the group is also asking for the international community's considerations in reducing the debt burden of some of the poorest nations.

As they arrive for the summit later this week, G-15 leaders are beginning to be briefed about matters adopted in the earlier meetings. Prime Minister Datuk Seri Dr Mahathir Mohamad arrived today.

Meanwhile, officials said the G-15 countries are united in wanting a fast response as they noted the slow progress made in reforming the international financial system.

The group wants international mechanisms and principles that will act as early warning systems for governments to facilitate them in formulating policy responses.

The G-15 is also asking for international financial and monetary bodies and the World Trade Organisation to be more coherent, and reduce instances where one body imposes additional and cross conditions on the decisions of another.

It is understood the issue was discussed as a result of the differing opinions and decisions made by several international bodies on the current financial crisis affecting several economies.

The adoption of the financial reform issue has been greatly influenced by the now greater understanding among the G-15 countries about the causes and effects of the international financial crisis and how it has brought up the hazards presented by uncontrolled flows of short-term capital.

The G-15 is also calling for social safety nets to be made an integral part of development programmes and policies within the international financial system, asking for them to meet and protect the needs of workers in the poorest countries and most vulnerable sectors of the population.

Foreign Minister Datuk Syed Hamid Albar said the G-15 meeting has progressed smoothly and that there has been little contentions over wordings of the draft joint-communicue.

Briefing reporters, he said eight heads of government and three deputy heads have confirmed their attendance, thus meeting the requirement for a quorum.

He added the developing countries, while pursuing their special interests, cannot isolate themselves from the developed countries, adding that resolutions made during the G-15 summit must be communicated effectively to the latter.

Overall, the G-15 wants these reforms to be institutional in nature, fair and transparent to all countries and those which has policy frameworks appropriate to the unique circumstances of each country. It acknowledged the key roles of the interim and development committees of the International Monetary Fund and World Bank in carrying out the reforms of a systemic nature.

At the same time, the G-15 is also asking that opening of capital accounts of countries must be done orderly, gradually and sequenced according to each nation's ability to manage any unforeseen consequences of capital flows.

However, it stresses that markets must remain open and that protectionism policies must be removed although access to capital markets must be made available to developing countries on safe and predictable terms.

The meeting so far also expressed concern over the significant falls in commodity prices, calling for the developed countries' assistance in searching for remedial measures.

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