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Time for South to stand united

EXACTLY a month ago, this column described President Jacques Chirac's attempt to get the industrialised countries to agree to sit down with developing countries and discuss the establishment of a new world financial architecture, as trying to do something almost impossible. However, it looks as if the French President may just be able to pull it off after all. The UK, a member of the Group of Seven (G-7) industrialised countries and a very influential voice in the European Union (EU), has agreed in principle to support the move and this may be a signal for the other G-7 members in the EU - Italy and Germany - to back Chirac. Japan, which has been promoting an Asian monetary fund, is also expected to hail the effort.

In supporting the French proposal for North-South dialogue on a new global financial architecture by the end of the year, British High Commissioner to Malaysia, Mr Graham Fry, said that the international community cannot reform the world's financial system if it is only the G-7 countries talking to each other. The involvement of a wider group of countries is imperative. The rest of the world outside Europe and America has come very far since the Bretton Woods' era, where all the important decisions were made by the victors of World War II and strictly adhered to by others in the free world. Even as the G-7 still dominates the decisions on international economic relations, the role of the relatively weaker economies has grown considerably and is too significant to ignore. The North has avoided dialogues on so many issues in the past and they will probably do so again in the case of the proposed international financial architecture even if it means jeopardising the proposed reform of the existing international financial system.

A small and weak country may have a lot to contribute. This attempt at reforming the system now would not have come about if Malaysia had not stuck out its neck to draw the attention of the North to how the unregulated flow of short-term funds and the unregulated activities of hedge funds and global currency speculators have harmed the developing economies. For nearly two years, Prime Minister Datuk Seri Dr Mahathir Mohamad travelled to many countries to carry the message and spoke in many forums to challenge the views that said otherwise. He was ridiculed and belittled initially, but now a growing number of economists and world leaders have come around to seeing his point of view. In fact, what leaders of many countries are stating now, when promoting the new architecture, are the very points that Dr Mahathir had been making all this while.

Fry, the British high commissioner, for instance, was talking the same lingo. London is of the view that the present financial and economic crisis illustrated the weaknesses of the existing financial system. The system needs to be modernised to meet the challenges of a new century. Nobody wishes to lose the benefits which open trade and open capital markets have brought in recent years but "we need to reduce the opportunities for damaging speculation". He also stressed the importance of the G-7 countries coming up with results at its summit in Cologne, Germany in June this year, so as to enable discussions in time for the International Monetary Fund/World Bank meetings in Washington DC in September.

In this context, the South must take the cue from the North. Foreign

Minister Datuk Seri Syed Hamid Albar's remarks yesterday about the absence of a coordinated Asian voice at the recent Asia-Europe Meeting should be noted. It is important that the developing countries contribute towards ensuring that the new international financial architecture safeguards their interests. More importantly, however, they need to ensure that their counterparts from the North understand precisely what these interests are. If developing countries are to speak loosely as individuals, chances are that they will not be able to impress their needs upon the powerful and rich nations. In the event that the North decides to agree to a dialogue with the South on this important issue, the developing countries must present a common and united front with the aim of making contributions that will benefit all, rich and poor.

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