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US has come round to seeing our views: PM

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PRIME Minister Datuk Seri Dr Mahathir Mohamad said the US has finally come around to seeing Malaysia's views on the need for reforms in the international financial system.

He said Malaysia has always stressed the need for reforms in the international financial system because "it (the system) allows unscrupulous people to impoverish countries and throw people out of jobs. "Certainly that is not the purpose of an international monetary system. So we call for reforms. The fact that they have admitted it shows that what we have said before has always been right," Dr Mahathir told a press conference after tabling the mid-term review of the Seventh Malaysia Plan in Kuala Lumpur yesterday.

In Washington on Wednesday, US Treasury Secretary Robert Rubin outlined a modest five-point US plan for warding off the kind of financial crisis that rocked three continents over the last two years. He called for strengthened financial disclosure rules and guidelines that would "discourage countries from taking too many risks" when they borrow money. But Rubin's proposals fell well short of creating the kind of new "global financial architecture" that many policy-makers debated in the heat of the crisis in emerging markets last fall. His ideas were chiefly modifications of existing rules, more akin to rewiring a building than reconstructing it.

Malaysia had made similar calls for such reforms in 1997.

However, Dr Mahathir cautioned that reforms in the international financial system should include contributions from everybody.

"If we (Malaysia) do not participate, they might reform it in such a way that it will benefit them.

"I am also not optimistic that the reforms will take place faster. I think it will take time because people with vested interest are throwing any number of spanners into the world," he said.

Bernama reports: US Treasury Secretary Robert Rubin has conceded that Malaysia has instituted "real (financial) reforms" despite its capital control measures.

Capital controls, if not properly administered, could lend themselves to corruption, he said, but quickly added: "This is, however, not a comment on Malaysia."

"Capital controls are tempting, but not wise politically as people will use it as substitute for reforms," he said at the Johns Hopkins University in Washington after delivering a speech on the Reform of the International Financial Architecture.

"But on balance, Malaysia has put in place real reforms," Rubin noted.

The US Treasurer said the President's Working Group on Financial Markets will soon be releasing proposals to require more disclosure of the exposure of financial institutions to other financial institutions.

This will increase market scrutiny over the interbank market - including the market for interbank lending to developing countries - as well as increase scrutiny on exposure to highly leveraged market participants, he said.

The working group includes the chairpersons of the principal federal regulatory bodies in the US and the Secretary of the Treasury.

Rubin said industrial countries must take steps to address excesses in capital flows and excesses in leverage. "Excessive leverage can at times

fuel excessive capital flows."

"That is why we support mechanisms to induce a much stronger focus on risk management during good times because reducing the excesses of the booms will reduce the likelihood and severity of busts."

There are no magic wands for financial reforms, Rubin said, but the result should be a more robust global economy - one less susceptible to crisis, one better equipped to deal with crisis and one with greater growth more broadly shared.

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