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G-77 endorses call to reform financial architecture

Hardev Kaur in Havana, Cuba

MALAYSIA's call for reforms of the international financial architecture, regulation of the destructive hedge funds, highly leveraged funds and institutions has been endorsed by the Group of 77 (G-77).

The grouping also called for the strengthening of the early warning system to provide for improved response capabilities to help countries deal with emergencies and the spread of financial crises.

The two documents - Havana Programme of Action and the Declaration of the South Summit - adopted by leaders attending the first Summit of G-77 in Havana, Cuba, echoes Malaysia's calls for a reform of the international financial architecture which has proven to be inadequate in dealing with the destabilising hedge funds and currency speculators.

Prime Minister Datuk Seri Dr Mahathir Mohamad had called for reforms only to be labelled a heretic and told that he did not understand economics. He had also identified the hedge funds, highly leveraged funds and currency speculators as destabilising forces that need to be regulated.

Now with the adoption of the Havana Programme of Action, 133 countries, accounting for 80 per cent of the world's population and the third largest world coalition in the United Nations, support the idea and proposal first mooted by Malaysia in 1997.

In the Declaration, leaders stress the need for urgent "fundamental reform" of the international architecture making it more democratic, transparent and better attuned to the solution of development.

"It also requires the establishment of a clear programme that goes beyond the mere prevention of crises and includes actions aimed at addressing the inter-related problems of finance, trade, technology and development at the international level," the Declaration adds.

The G-77 established in 1964 together with the United Nations Conference on Trade and Development (UNCTAD), according to the leaders, should contribute to the debate on issues related to strengthening and reforming the international financial architecture. The Havana Programme of Action says this can be done by "continuing to provide relevant analysis from a development perspective".

The Programme of Action, a "succinct forward-looking document", will guide developing countries in their collective approach towards the attainment of common goals. It is an "action-oriented programme" of clearly defined tasks, targets and time frames and deals with economic issues of concern to developing countries.

The Declaration of the South Summit is a "far-reaching political" statement, expressing the determination of G-77 to chart a new path.

Among others, the leaders stressed that globalisation and interdependence must not be used to weaken or re-interpret principles of "equal rights and self-determination of peoples; to achieve international co-operation in solving international problems of economic, social, cultural or humanitarian character, and promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language or religion".

Concluding the three-day historic summit, members of the G-77 vowed to press for a greater say in multilateral institutions, World Bank, International Monetary Fund and the World Trade Organisation.

The decisions of the South Summit will be presented to the Group of

Seven (G-7) industrialised countries when they meet in Okinawa, Japan, from July 21 to 23. The proposal for the chairman of G-77 Chief Arthur C.I. Mbanefo of Nigeria to present the views to the G-7 was made by Dr Mahathir during the plenary session on Thursday.

The aim is for developing countries to give their views in the hope that the developed countries, the world's seven most industrialised countries, will modify their stand so that it would not hurt them.

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