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G77-Summit

KL TO PUSH FOR NEW GLOBAL FINANCIAL REGIME AT SOUTH SUMMIT

By: E.Sivabalan

KUALA LUMPUR, March 31 (Bernama) -- Fresh from the success of its selective exchange control measures, Malaysia will now push aggressively for the creation of a new international financial architecture (IFA) at the South Summit of the Group of 77 (G-77) in Havana, Cuba, from April 10-14.

Foreign Minister Datuk Seri Syed Hamid Albar said the reform of the IFA was indeed a matter of urgency.

"Malaysia will take the opportunity at the South Summit to emphasise on the need for reforming, in particular the regulation of hedge funds and highly leveraged institutions," he said in an interview ahead of the summit.

The inaugural summit will bring more than 100 leaders of developing nations, including China, together for the first time since the grouping was formed in 1964.

According to the G-77 website, leaders from 56 underdeveloped and developed countries that are not members of the G-77, including the Group of Seven (G-7) powers namely the United States, France, Japan, Britain, Germany, Italy, Canada and Russia will also be invited to the summit.

Syed Hamid confirmed that Prime Minister Datuk Seri Dr Mahathir Mohamad would be attending the summit.

With China's participation, analysts expect the summit would create a platform for collective action to solve problems in the countries of the South and to define a plan of action with clear objectives and deadlines for their execution.

They said that the IFA and the issue of crippling debt burden faced by most developing nations would take center stage at the summit.

Other issues to be discussed include economic globalisation, North-South relations, South-South cooperation and knowledge and technology.

Malaysia had maintained that the global financial system should be reformed, failing which developing economies would continue to be at the mercy of unscrupulous currency speculators.

Syed Hamid said the financial crisis that swept Asia in July 1997 had illustrated that without adequate institutional support to manage the process, the end result was instability in the regional economy.

Asked if Malaysia was confident that other G-77 member countries would back Malaysia's effort in calling for a reform, Syed Hamid said Kuala Lumpur was confident that there would be "wide support" as demonstrated at the UNCTAD X Conference in Bangkok recently.

"Many developing countries will seek to ensure a more democratic and fair mechanism in order to increase their effective participation in the management of the international economy," he said.

He said developing countries as a whole had experienced a deceleration in economic growth recent years.

"While there are now individual cases of continued growth in different regions, overall many countries witnessed a drastic slowdown of their economic activity and others had experienced a serious economic crisis," the minister said.

Syed Hamid said Malaysia would work together with other countries for an "actionable" plan that would bring mutual benefit.

Dr Mahathir was expected to use the summit to secure a "bigger voice" in calling for a reform of the world financial market, said one analyst.

"The summit could be the channel Malaysia has been waiting for to get the endorsement of developing countries. Collectively, the G-77 is a formidable force in global finance," he said.

As the largest Third World coalition in the United Nations (UN), the G-77 provides the means for the developing world to articulate and promote its collective economic interests and enhance its joint negotiating capacity on all major international economic issues.

The G-77 was established on June 15, 1964 by 77 developing countries and to date the economic grouping consists of 133 countries.

The analyst said by securing the endorsement of the developing nations, "hopefully the Group of 20 (G-20) will listen".

The G-20 is a mix of the G-7 member countries, 11 emerging market economies and two institutional representatives that play a significant role in the world economy.

The economies include Argentina, Australia, Brazil, China, India, Mexico, Russia, Saudia Arabia, South Africa, South Korea, Turkey, while the institutional representatives come from the European Union and the International Monetary Fund/World Bank.

The G-20, which replaces the G-22 and G-33, is expected to have a wide mandate to discuss issues in the world economy, including crisis prevention and the new financial architecture.

At the 23rd annual meeting of the Foreign Ministers of the G-77 at the UN in New York last year, Syed Hamid called on countries of the South to affirm that the international community, the UN, the Bretton Woods institutions and Group of 7 (G-7) must ensure that the financial system quickly evolve check and balance to discourage abuse of the system.

The September Asia-Pacific Economic Cooperation (Apec) leaders meeting in Auckland, New Zealand, last year, endorsed calls for reforms of financial markets to ward off future financial crisis in the region.

US President Bill Clinton also acknowledged during the Apec meeting that "it would be a mistake not to reform the financial architecture".

At the Havana summit, Malaysia will draw its experience with globalisation particularly in the context of the Asian financial crisis which struck the country since July 1997.

Kuala Lumpur will emphasise to the developing nations that since globalisation is here to stay, the South should define it so that the risk of the fallout from negative impact of globalisation will be minimised.

On the external debt problem plaguing many developing countries, the summit is expected to call on the developed nations to write off the debts of 41 poorest nations to allow these countries to concentrate on their development projects.

The South's external debt to the North amounted to US\$2.5 trillion and 25 per cent of export income is channelled into merely servicing that debt which has turned into a destructive spiral for the developing countries.

In the mean time, Cuba is preparing a portfolio of 60 regional and sub-regional projects to submit to the countries attending the summit.

As the host country, it is also drawing up a South Summit Final Declaration expounding its member countries' strategy and future vision in terms of confronting the current challenges of the world economy.

The summit is also expected to come up with an Action Document.

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