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Support for stand on reforming financial system

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THE message from the United Nations Conference on Trade and Development is to reform the existing financial architecture as an urgent priority, something Malaysia has been advocating since the outbreak of the Asian financial crisis.

Since neither volatility nor instability can be effectively managed by today's financial architecture, the reforms should address the more substantive aspects of the problem, according to Rubens Ricupero, UNCTAD secretary-general.

Deputy Minister of International Trade and Industry Datuk Kerk Choo Ting said the point on reform has been expressed loud and clear and "I think nobody has any doubt about the issue now".

Kerk, who led the Malaysian delegation to the UNCTAD X meeting which ended yesterday, pointed out that Malaysia was not alone in taking this stand.

It is now shared by many countries, including institutions such as the IMF.

"In some way they all recognise that unfettered capital movements are not conducive to global trade. Some form of regulation has to be put in place" to ensure stability in the market-place.

Ricupero told the closing session that Prime Minister Datuk Seri Dr Mahathir Mohamad and Indonesian President Abdurrahman Wahid provided "a more realistic evaluation of the limits of unrestricted capitalism".

They were "forceful and persuasive, almost dramatic, at times touching, in their personal accounts of the ordeals endured by their peoples". This according to Ricupero was "certainly among the high points of the conference".

Dr Mahathir had told the conference last weekend that "...central to the issue of reform of the international financial system is the need to address the volatility of capital flows, particularly through direct regulation of hedge funds and highly leveraged institutions".

The existing infrastructure is inadequate to deal effectively with the developmental problems and crises. The international institutional machinery, comprising the UN, the International Monetary Fund and the World Bank, have not been able to cope with the challenges confronting the developing world.

Ricupero noted that while there is "convergence of opinion" on the policies of economic liberalism, there has also been frank official acknowledgement of the key unsolved problems of the "capitalist economic order.

"These are its proneness to financial crisis, its economic undermining of peasant production and its tendency to neglect the problem of poverty".

Dr Supachai Panitchpakdi, Thailand's Deputy Prime Minister and President of UNCTAD X, in his closing remarks also echoed Dr Mahathir and called for the effective participation of developing countries in the decision-making process in all international institutions.

Dr Supachai said there may be a need to consider expanding the G-8 to include representatives from developing countries. At the moment, at least the agenda of G-8 should include the consideration of the consequences of their macro-economic policies on developing countries.

Later at a Press conference Dr Supachai elaborated that his proposal for the expansion of G-8 was not "revolutionary" as even the former managing

director of the IMF Michel Camdessus had proposed the expansion of G-8 to G-30.

Dr Supachai said the expansion of G-8 to include developing countries will enhance co-operation between developed and developing countries and prevent a deepening of the crisis and the contagion as happened in Asia can be avoided.

The Asian crisis and the contagion has shown that the problem was "needs to be tackled on a global basis". Thus the G-8 should include other stakeholders and players from developing countries.

Asked for his views on the proposed Asian Monetary Fund, Dr Supachai said: "Personally I support the fund as it is necessary to expand the number of institutions which act as lenders of last resort."

He hastened to add that he was not saying that the IMF had not done its work but that its work needs to be supplemented on a regional basis.

The proposal for the Asian Monetary Fund was vehemently opposed by the US and the IMF when it was first proposed in 1997, as it was seen as a "threat and undermining" their power and influence.

However Dr Supachai argued that if there can be regional development banks, such as the Asian Development Bank and the Latin American Development Banks which are not deemed to be undermining the World Bank, there is no reason why a Regional Monetary Fund cannot exist.

They (Regional Monetary Funds) will in fact supplement the work of the IMF at the regional level and could function like a sister organisation with the same stringent standards that are on par with the IMF rules.

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