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Proposal for regional team to study global financial architecture

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JAKARTA, Mon: With the South-East Asian nations still carrying scars from the financial and currency crises that hit the region in 1997, Malaysia is proposing for the formation of a regional expert team to study the international financial architecture.

Malaysia has chosen the Group of Fifteen (G-15) meeting, a grouping of 19 developing countries, to address the issue that had been high on the country's concerns.

"We are suggesting for the establishment of an expert team to study the state of the international financial sector and how it can be reformed to suit the latest developments," said Foreign Minister Datuk Seri Syed Hamid Albar.

He said the change was to ensure that the global system was more transparent and accountable not just to the public sector, but also with regard to the players involved in the field.

Syed Hamid, the senior most Government representative at the ongoing eleventh G-15 Summit before the arrival of Prime Minister Datuk Seri Dr Mahathir Mohamad today, was briefing journalists on Malaysian issues at the summit.

"The time for rhetoric has passed. The best forward is to allow experts take a look at the matter to identify our position," he said.

In the last few years, the financial crisis that hit Asia and the threat of its contagion effect on the rest of the world had unwittingly become the rallying point bringing the G-15 countries from Asia, Africa and Latin America closer together.

However, a collective voice on the issue still remains as elusive as ever due to the disparate interests of member countries. Member countries from Latin America, for example, are said to be less keen on pressing the issue due to their tremendous focus on the US and Europe.

The G-15, founded in 1989, comprises of Algeria, Argentina, Brazil, Chile, Colombia, Egypt, India, Indonesia, Iran, Jamaica, Kenya, Mexico, Malaysia, Nigeria, Peru, Senegal, Sri Lanka, Venezuela and Zimbabwe.

Noting the difficulty in forging a common position on the matter, Syed Hamid said that Malaysia would try to persuade fellow member-countries not to accept or reject summarily the matter, but allow the experts to study the issues involved.

On why G-15 was used as a platform to highlight the international financial architecture issue, he said that the grouping was smaller in number, hence increasing the chances of coming to some level of consensus. The forum enables the countries involved to articulate their views in facing the developed countries.

"We want to initiate a North and South dialogue. In order to face groupings like G-8, we must have a clear position," he said.

The G-8, bringing together economically advanced nations, comprises of the US, Canada, Britain, France, Germany, Italy, Japan and Russia.

On the need for reforming the international financial architecture, Syed Hamid voiced the dangers of another financial crisis if appropriate defence mechanism are not put in place.

The fact is that all nations constantly face the threat of currency speculation. For now, certain countries may be untouched. However, it was voiced out that unless the practice was stopped it was only a matter of time before other economies too come under attack.

During the 1997 G-15 summit, the damaging actions of currency speculators, then a problem affecting Malaysia and Indonesia, received a good deal of hearing, somewhat overshadowing other concerns. One year after the meeting, in October 1998, Malaysia imposed selective capital control measures, including pegging the ringgit to the US dollar at RM3.80 to negate the actions of currency speculators.

Despite much speculation that the peg will not hold, including the recent fears with the country's depleting foreign exchange reserves, Bank Negara Malaysia which oversees the currency matter had been able to hold the fort.

The matter surfaced again in the 1999 G-15 summit.

Then, members took a united stand that developing countries must take into account developing countries' views in any move to reform the world's financial system - more commonly referred to as the formation of a new international financial architecture - to prevent a recurrence of the Asian crisis.

What was once a voice in the wilderness is now gaining ground, said Syed Hamid.

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