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Reform of global financial structure long overdue

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THE Group of Fifteen (G-15) Summit in Margarita Island, Venezuela, which was to have begun tomorrow, would have come at a crucial time for developing countries in general and for the G-15 in particular.

Without a doubt every aspect of life and the way countries conduct their relations have been affected by the march of globalisation, information and communication technology and, more recently, terrorism and terrorist attacks that have prompted countries to focus more on security and the war on terror instead of the economic development and social issues.

On the economic front the slowdown in the world economy, the problems in Latin America and the biased and unstable international world financial system are affecting the lives of citizens in developing countries. The impact and the adverse effects of economic, financial and political instability are clearly evident in Latin America and certainly in Venezuela, which had to postpone the G-15 summit due to political uncertainty.

The remedies prescribed by the International Monetary Fund (IMF) have caused more problems and hardships than the economies or their citizens deserve. The difficult situation in Brazil, Argentina and Venezuela is once again a stark reminder of the failed policies of the IMF and Washington Consensus.

This, coupled with the cookie cutter policies that the Fund pursued in other regions, including East Asia during the 1997 crisis, have brought home the point that the existing financial system and the remedies dished out are flawed and cry out for reform.

The Latin American countries have voiced their frustration at the multilateral institution and its approach Venezuelan President Hugo Chavez was reported earlier this month as saying that his country will not accept policy recipes dictated by international financial bodies like the IMF and the Argentinian Economy Minister Roberto Lavagna had said that "the world won't end" without an IMF aid deal for his country.

As Prime Minister Datuk Seri Dr Mahathir Mohamad told the last G-15 Summit in Jakarta last year, it is "all too clear that the IMF is more a political instrument than one for financial rehabilitation... The ideology of market freedom, it seems, is more important than the well-being of human society... Sufferings of people seem to be of little concern as long as certain policies (a directive) are implemented".

These directives have resulted in millions being thrown out of jobs and onto the streets, prompting leaders in Argentina and Venezuela rapping the multilateral organisation and rejecting "imposition of recipes".

Developing countries, including G-15 members, have been adversely affected by the IMF policies and it is important that the imbalances in the world economy are considered in formulating economic and development plans. These developing countries must make their voice heard on the international stage and on issues that concern and affect them.

Reform of the international financial architecture is long overdue. For this, developing countries must engage their counterparts in the developed world to prevent future crises as well as to ensure that interests of developing countries, and especially their people, are safeguarded.

Even though efforts have been made by individual countries to implement reforms to strengthen their economic and financial systems, there is a serious lack of progress in reforms in the international financial system

to address the risks and challenges of highly volatile capital flows.

In this, the G-15 has an important role in energising the momentum of international reform. The members should be ready to contribute to the international dialogue on the issue which is of vital importance to them and to their citizens.

The members from Latin America, Africa and Asia must necessarily give more impetus to South-South cooperation in light of the increasing tendency of the prevailing global economic arrangements to serve the interest of developed countries.

The 12th G-15 Summit offers an opportunity to leaders to take stock of the situation and seek solutions that will help cushion their economies from the adverse external shocks. Selfhelp measures will definitely be discussed in addition to co-ordination of policies among the developing countries. It is important that members speak with one voice as individually they are not heard and can easily be ignored and sidelined as they have been in the past.

The G-15, established during the Non-Aligned Summit in Belgrade in 1989, provides a unique platform for promoting South-South co-operation and North-South dialogue. It is based on the common goal of enhanced growth and prosperity.

The issues that demand its attention grow longer with each passing year. This year's list is long; among them are the world economic slowdown, risk of further volatility in the financial markets, increasing protectionism in developed countries, high levels of structural unemployment, poverty, widening income gaps between countries, the growing digital divide, diseases including HIV/AIDS, the debt problem, terrorists and terrorism.

Developing countries have also suffered from unfair trade practices, tariff and non-tariff barriers, inequities and declining terms of trade and brain drain. With globalisation, the vulnerabilities of developing countries are further exacerbated and their policy-making capacity eroded.

Co-operation among developing countries can offer them an avenue to cushion the adverse impact of discriminatory policies in developed countries. Even as world trade slows and the trading regime is stacked against the poor, there are opportunities for increased trade among developing countries.

The G-15 statistics show that between 1990 and 1996, exports among the 15 members grew by 170 per cent compared with a growth of 30 per cent in world exports over the same period. In 1996, 11 members of the G-15 were among the top 50 leading exporters and importers in world merchandise trade.

The potential for greater South-South co-operation and self help are numerous. But the countries must be prepared to unite their efforts, coordinate their policies and speak with one voice to be heard and to make a difference in the formulation of international policies that will take into account the needs, concerns and views of poor developing countries.