

G-7 urged to look to South-East Asia as proof

Globalisation of economy presents challenge not threat: Major

LYON, France, June 29: British Prime Minister John Major yesterday urged the world's richest economies to look to South-East Asia as proof that globalisation of the world economy presented a "challenge not a threat," reported AFP.

British officials said Major used his intervention at the Group of Seven summit here to underline the significance of the region's stunning development to overall world growth and the importance of not shackling that growth with unnecessary regulation or restrictive new trade rules.

Where the tiger economies once tracked the performance of the G-7, now they were big enough to generate growth in their own right, Major said, highlighting the fact that Asia will account for virtually all new growth in airline traffic over the next decade.

Brushing aside fears that fierce competition from developing economies could undermine Europe's costly social welfare systems, Major told the summit that the G-7's response to globalisation should be to "press ahead with structural reform to make markets more flexible domestically and open internationally."

Greater labour market flexibility meant the United States was capable of generating new jobs at four times the rate of the big European economies, Major said. Only by following this lead could Europe hope to

benefit from the opportunities for prosperity presented by the emergence of a global market place.

Britain was however unable to resist pressure from France

and the US for the link between labour standards and trade to be high on the agenda of the first ministerial meeting of the World Trade Organisation in Singapore this December.

Moves to link the two subjects have been regarded with suspicion in Asia, where the western stress on issues such as child or forced labour is seen as a potential excuse for social protectionism.

While arguing that deregulation and liberalisation represents the way forward, British Chancellor Kenneth Clarke acknowledged that international institutions need to be adapted to deal with a situation where "massive amounts of capital can be moved around the globe at the touch of a computer button."

The summit was expected to issue a communiqué on international monetary stability which outlines possible measures to reduce the possibility of currency turmoil in one country sending shock waves around the world, as happened with last year's Mexican crisis.

Britain was seeking support for the concept of a "leading regulator", under which regulators in the base country of banks or other financial institutions would be given a greater responsibility for keeping tabs on their regulators, but it could help prevent events like the collapse of Barings and the BCCI taking markets completely by surprise.

Objectives for the next year include increasing cooperation among authorities supervising internationally active financial institutions, encouraging stronger risk management, encouraging the adoption of prudent standards for emerging countries, studying implications of the fraud they discovered on their doorstep, officials said.

FINANCIAL REGULATION:

"We welcome the progress on the strengthening of capital standards (and) by the international bodies concerned with banking and securities regulation."

Some European countries experienced a slowdown, but economic fundamentalist are improving and we are confident that growth will pick up in the second half of the year," the statement said.

G-7 OUTLOOK: "Looking ahead, the economic fundamentals remain sound and well-oriented — inflation has settled at a low level, interest rates have come down substantially ... public deficits and

debt remain too large and national savings too low," it said.

The following are highlights of the Lyon summit economic communiqué of the Group of Seven Industrial power, the United States, Japan, Germany, France, Britain, Italy and Canada, reports Reuter.

GLOBALISATION: Globalisation provides great opportunities, but poses challenges for some of the poorer countries, which risk becoming marginalised, and generates new risks of instability in the financial markets.

CURRENCIES: "We welcome the broad movements in the major currencies since April 1995. These are positive and promising developments," he said:

"We share a common commitment to a medium-term economic strategy — credible fiscal consolidation programmes, successful anti-inflationary policies and as a consequence low interest rates, and strengthened structural reform," it said.

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