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Asia-Crisis

ASIA'S FUTURE BRIGHT DESPITE CRISIS

KUALA LUMPUR, Dec 28 (Bernama) -- The future of Asia remains bright despite the currency crisis it is going through now, says a management guru known throughout the world as "Mr Strategy".

Dr Kenichi Ohmae, one of Asia's best-known strategic thinkers, says Asia has excellent technology, especially in digital information, while its production know-how is second to none.

Reinforcing his firm belief that Asia will emerge from the crisis even stronger economically, he says the region has plenty of capital and human resources, despite the fact that some of these two assets were lost in the crisis.

In a highly thought-provoking essay he writes for the special collectors' edition of Asiaweek magazine as a wrap-up to 1997, Ohmae comes out with a surprising analysis when he asserts that contrary to what pundits have argued, 1997 was "quite a good year" for the region.

Dr Ohmae, who is also a member of the International Advisory Panel of Malaysia's Multimedia Super Corridor (MSC), describes the economic slowdown following the currency turmoil, which led to currencies of some currencies plunging by as much as 50 per cent against the US dollar, as a "natural process."

"Indeed future historians might call it a blessing in disguise -- an admonition against euphoric expectations about economic growth.

Japan, he argues, has suffered two energy crises since 1973 but each time growth slowed and then, the economy bounced back stronger than ever, at least until it hit US\$30,000 per capital GNP in 1989.

Ohmae explains that Asian countries have been much worse off by currency fluctuations because they have to deal with both the Japanese yen and the US dollars and have had to adjust somewhere in between.

Citing an example, he says in 1995, the yen hit 80 to the dollar; but now it is about 130 which means that the currency rates between Japan and the US have fluctuated 50 per cent, as seen from the yen point of view.

Most Asian countries sell their products abroad in dollars. Over 90 per cent of the international settlement of the trade of Indonesia, Malaysia, Thailand and Singapore is in dollars.

But most Asian countries borrow in yen. Thus, although their receipts (from exports) are in dollars, they pay interest in yen.

This also means that when the yen was strong, Asian economies suffered -- their incoming dollars lost value against their outgoing yen.

Ohmae says the furious fluctuations between the yen and the dollar have taken place despite the stability of the world's two largest economies, and this goes to show that currencies fluctuate for many reasons, some having nothing to do with economic fundamentals.

He also argues at length that while US currency speculator and his vast Quantum Fund may have triggered the turmoil, from the perspective of the global currency market, the process was quite a natural one.

As he puts it: "If he hadn't, someone else would have done the same thing. And in fact, many others may have played a part in the process -- some of whom have have reacted to domestic troubles in the affected economies."

Dr Ohmae is convinced that the currency and stock market crises have a

lot to do with the decision by Asean countries at their meeting in Kuala Lumpur in July to admit Myanmar as an Asean member as it coincides with Soros' political agenda to prevent this from happening.

Both Soros and another financier, Julian Robertson, who controls Tiger Fund, began to play the Thai baht shortly after this, with both men arguing that their role is to "discipline" governments according to free market rules.

The obvious victim was Thailand, whose economy, according to Ohmae, was overheated and had run a current deficit for sometime.

Also in Thailand, money was being pumped into the country from outside, creating an economic bubble which enables hedge-fund speculators to make money from shorting the bath.

But Dr Ohmae, who recently accompanied a group of 51 Japanese executives to visit Myanmar, suggests that Soros and his research staff should see for themselves the progress Myanmar has made in terms of opening up and loosening its military dictatorship, under the present government.

"Soros is a currency speculator and a hedge-fund manager. He should manage money, not play international politics," he says.

Dr Ohmae says Asian countries had over-reacted to the currency phenomenon, especially countries which used their central banks to defend their currencies.

The most disastrous case was Thailand, which already saddled by an overheated economy made hotter by over-extended finance companies, lost roughly US\$10 billion of its reserves to defend the baht.

As for Malaysia, with its far better economic fundamentals than Thailand, he believes this over-reaction will be corrected with calm and objective economic policies.

Dr Ohmae agrees with a proposal by Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad for the introduction of certain rules for currency trading, just as the World Trade Organisation sets up rules for trading in goods and services.

In his view, the most important lesson which Asia should learn from the crisis -- but which it apparently still does not seem to learn -- is this: the market disciplines the government, not the other way around. -- BERNAMA

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