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Cultivating economic fairplay

IF MALAYSIA had been a new convert to the so-called open market and free trade system, it would have lost all faith in this economic religion by last week. It is just as well that Malaysia is relatively resourceful and resilient, or the attacks on its financial markets would have rendered it a begging cripple. But not all developing countries are made of stuff as stern. The call by Prime Minister Datuk Seri Dr Mahathir Mohamad to the international community to protect poor countries from similar manipulations of their financial markets is therefore, very relevant.

Developing countries, like Malaysia, are just beginning to move towards a more open and liberalised market system. They could do without others meddling in their tender currencies and financial markets. What they need is help, guidance and investments from their more developed neighbours. As late starters, most developing countries have even less funds than an international hedge fund in the US or Europe. When these funds form a small army of speculators and manipulators, most developing countries stand no chance of winning the battle.

Dr Mahathir's call is a reminder to the international community - to the developed countries, the International Monetary Fund and the World Bank - that they need to control these rogue funds. If these speculative assaults persist, the governments of developing nations will be forced to slow down the process of liberalising their financial and banking sectors. This will not only cause the developing nations to lose out, but the rich countries will not gain much either. Poor countries facing such problems would almost certainly choose to delay the provision of free access to foreigners seeking entry into their financial and banking sectors.

If the world wants to see the birth of an open global market, the international community must work together to address the financial problems faced by developing countries. Dr Mahathir has said that while Malaysia believes in an open market, "people who use large amounts of money to devalue currencies are not trading in a normal or just manner". Should this be allowed to continue, it would invariably mean that the world was heading back towards a monopoly system. It would not be healthy to bring a monopoly in an open market as the poor will be left to struggle to make a living without any assistance. The poor must be helped even in countries that practice a free, open and liberalised market system.

But to stop manipulation through short-selling will not be an easy task. Firstly, while the Government allows speculation, it is difficult to differentiate between genuine speculators and those who speculate and manipulate. So far, there has yet to be any specific laws to govern the act of manipulating in the currency and stock markets. However, this should not prevent the international community - particularly financial experts - from seeking other means and ways to address the problems. The IMF/World Bank meeting in Hong Kong this month will perhaps be the best time to discuss and seek ways to counter the speculative and manipulative attacks on the currency and stock markets in developing countries. Prior to this meeting, there will also be several other international meetings including the the Commonwealth Finance Ministers meeting in Mauritius, on September 15 and the Asia-Europe Finance Ministers meeting in Bangkok on September 18, where the global community can discuss these issues.

In the meantime, several countries have already taken their own actions. Belarus has slapped a US\$2.9 billion fine on the Soros foundation, frozen

its bank account and threatened to prosecute its representatives for tax evasion. This has forced the Soros Foundation (officially called the Open Society Institute) to close down its activities in Belarus. More such actions will be taken if the IMF and the World Bank prefer to sit and watch. The outcome will be messy. There will be many losses. But the world economy stands to lose most if poor and developing countries lose their faith in the international community.

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