

27/10/1997

Group can act as 'guardian' on ills of globalisation

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EDINBURGH: Increasingly, developing countries have been made aware of the dangers that lurk in blind adoption of globalisation and liberalisation, two words so much touted by their developed counterparts.

The Commonwealth Heads of Government Meeting (CHOGM) here was reminded by Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad that in adopting liberalisation, the South must know what it means to them and its impact on their economies.

Malaysia is in an appropriate position to issue the reminder, not because it is against liberalisation and globalisation, but because the new development in world economy has brought some negative impact to the country.

Chief among these are the unabated and loosely monitored movements of funds and capital through the increasingly complex world financial markets, which have translated into the current problems associated with speculative activities in the ringgit foreign exchange market.

Rapidly progressing Malaysia has had some 15 years in terms of achievement in its per capita income wiped out in just two months through the decline in the value of the ringgit and the turmoil which followed on its stock market.

It is a heavy price to pay for a country that is committed to join globalisation and liberalisation of the economy.

While undoubtedly the country's adoption of such new developments has brought with it much wealth, it seems that the vibrant economy attracted the negative elements of the liberalised system - the currency speculators fuelled by greed and plenty of funds to create havoc.

How then will the Commonwealth respond to Malaysia's suggestions which include regulating forex trading?

At the earlier Commonwealth finance ministers' meeting in Mauritius, Malaysia's objection towards currency speculative activities was acknowledged and included among the items in the communique issued by the ministers.

However then, sceptics said only a handful of the countries attending the meeting understood Malaysia's concern. A majority of Commonwealth members are still under-developed and are largely indebted.

Almost half of the Commonwealth is made up of small states whose main concern even now are still issues such as coastal erosion, threats to sovereignty, money laundering and dadah trafficking.

However, the other half of the association can carry the needed weight, at least to the attention of developed countries' grouping such as the Group of Seven and other powerful international institutions such as the International Monetary Fund and the World Bank.

The threat brought about by currency speculators is real and no economy is entirely safe no matter how quiet they make themselves to be.

It is even more real for the Commonwealth since with the recent renewed interest in cooperation among member countries, coupled with the fact that many are also members of other developing consultative groups such as the Group of 15, which begins its annual meeting in Kuala Lumpur this week, have come promises of fast progress.

And fast progress, as experienced by Malaysia, may likewise make these countries attractive prey for speculators.

There are four member countries within the Commonwealth that are

developed states - the UK, Canada, Australia and New Zealand. Others are fast developing, including Malaysia, Singapore, Brunei and South Africa.

While it is true that controlling the international foreign exchange market and the movement of funds is difficult, ways should be sought to at least make the activities more transparent.

Britain is one of the countries which could perhaps take the lead in such an effort, the London currency market being the world's largest and the country's economy having been shaken by speculators once.

This year's CHOGM is themed Trade, Investment and Development: The Road to Commonwealth Prosperity. Discussions here in Edinburgh may well become a platform for the Commonwealth to enter the new millennium with hopes for progress.

Indeed, all the Commonwealth members must increase their trading and investment activities to prosper. To do so, they have little choice but to join the liberalisation bandwagon as trade favours open economies rather than closed ones.

But what is the guarantee for safety that the countries have in an open environment? The arguments have always been for nations to open their economies, but not a single meaningful undertaking exists to safeguard them from the ill effects liberalisation could bring.

This is where the Commonwealth can play a role. It can act as a forum to inform the largely developing member countries to be aware of the pitfalls in a liberalised trading world. It can protect each other in ensuring that they are not forced to let their guard down in the name of liberalisation and globalisation.

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