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Let's rely more on common sense

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PRIME Minister Datuk Seri Sr Mahathir Mohamad had on Saturday gone public with his accusation of Hungarian-born US currency speculator, George Soros, as the person responsible for depressing South-East Asian currencies.

He confirmed to the Press that the "rogue speculators" he referred to in his speech at the opening of the 30th Asean Ministerial Meeting in Kuala Lumpur on Thursday were in fact only one person - Soros.

The Prime Minister described Soros as heartless and his action criminal. He said the poor must be protected as Soros was out to destroy their economies.

Dr Mahathir first hinted at Soros in his speech at a dialogue commemorating the 50th Anniversary of Japan's Okayama Committee for Economic Development (Okayama Keizei Doyukai) on July 21 in Okayama and accused the forex speculator of harbouring a larger agenda.

While not identifying Soros then, Dr Mahathir named his "Open Society Foundation" and the fact that he objected to Asean's admission of Myanmar as a member.

On Friday, Soros admitted in New York that he wanted Malaysia and Thailand to block Myanmar's entry. He did not openly deny that there was a link between his political stand on Myanmar and the sudden speculative pressure on the Thai baht and later Malaysian ringgit, Indonesian rupiah and Philippine peso.

He merely said he did not believe that the cause of freedom in Myanmar would be advanced by linking it to currency speculation.

In not so many words, Soros, in fact, admitted that there was a speculative pressure on the Asean currencies.

While it is practically impossible to stop speculators from attacking the ringgit and other regional currencies, the knowledge of it coming can be useful to national and regional authorities in taking defensive action.

This is particularly so when the Asean Ministerial Meeting had called for the intensification of cooperation to safeguard the Asean currencies against speculative attacks.

The nine-member grouping said it will support any cooperation at the regional level to protect its interests.

The foreign ministers, however, did not adopt any specific resolutions on what needs to be done to curb speculative activities on their currencies but will leave it to their finance counterparts and governors of their central banks to do so. The best protection that Asean governments can offer to their currencies is to continue to implement policies and programmes that will lead to long-term stability.

With Asean economies having made great strides in the last decade, their currencies have also become attractive to international foreign exchange traders, hedgers and pure speculators like Soros.

For us in Malaysia, it is best we do not despair in facing the current situation. The economy is more than just the ringgit.

If the authorities and the private sector listen less to the textbook economists from the World Bank and the International Monetary Fund (IMF) and rely more on common sense, the economy should be regaining its former footing within six months.

This depends very much on the short and medium-term monetary policies to be adopted by Bank Negara and the Treasury as well as the ability of local

manufacturers to take advantage the forex-induced competitiveness.

The Bank Negara and the Treasury may want to look more closely at monetary measures affecting such areas as interest rates and the financing of priority sectors instead of being preoccupied with defending the ringgit's exchange rates.

There may also be a need to find a greater balance between the need to defend the ringgit and to revive the stock market. A strong stock market is as vital to the economy as a strong ringgit.

And when we decide to defend the ringgit, it is useful not to be too predictable, otherwise speculators will know our every move.

Also, it may be timely to re-examine the effect of "expensive ringgit" on the stock market especially when the Kuala Lumpur Stock Exchange (KLSE) had shed so much value in the last few months.

Unless the market is massaged upward, there is a danger that borrowers who pledged their shares to the banks may find it difficult to meet their loan obligations. This, in turn, may force banks to call back loans or dispose the shares at a huge discount. We had seen this happened with disastrous consequences in the mid-Eighties.

So while the protection of the ringgit's international value is important, we should not put other components of the economy on the back-burner.

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