

11/06/1998

Asian nations must work together to be strong in globalised world

Nuraina Samad

WHAT will the new millennium hold for Asia and the developing nations within it struggling to pick up the pieces of their economy?

Will a borderless world benefit Asia and poorer countries, given that muscle-flexing by the big boys is the order of the day in times of currency and financial distress?

Not much and no. And the picture isn't pretty.

Prime Minister Datuk Seri Dr Mahathir Mohamad said this and much more when he was in Tokyo for a four-day working visit last week during which he addressed two major international gatherings - the symposium on "Revitalisation of the Japanese Economy and the Future of Asia" by the Institute for International Monetary Affairs" and the conference on "The Future of Asia" hosted by Nihon Keizei Shimbun Inc (Nikkei).

So much had happened in so short a time in the region following the collapse of the baht in July last year which led to the fall of regional currencies.

For Malaysia, just two weeks before that, the bouquets were still coming in.

Malaysia, according to International Monetary Fund managing director Michel Camdessus was a good example of a country, "where the authorities are well aware of the challenges of managing the pressures that result from high growth and of maintaining a sound financial system amid substantial capital flows and a booming property market".

Malaysia was given a clean bill of health and the IMF praised the country's economic fundamentals.

We were part of that "East Asian Miracle", a characterisation, the Prime Minister hastened to add, "invented by the impressionable West".

Malaysia, according to the annual World Competitiveness Yearbook, issued by the prestigious International Institute for Management Development was the second most competitive economy in the world, after the United States.

Singapore was third and Luxembourg, fourth. We were to say the least, in company of the best.

"Many foreigners, including the most tough, hard-nosed personalities and organisations, told us the most flattering things, which strengthened us in our conviction that our fundamentals were very strong indeed," said Dr Mahathir.

In fact, most of the other economies so severely hit since the IMD issued its 1997 report also scored highly based on fundamental factors.

The Asian crash of 1997 was unprecedented just as the economic growth of these countries had been.

So, Dr Mahathir, surprised no one when in his style and element, gave his views of the future of Asia in a globalised world that only benefit the powerful and leave Asian nations struggling to survive and compete with the big boys.

No time and place for rhetorics there as the Prime Minister made his message clear and hard that as long as there is disparity in the world's economic order, and as long as currency traders are allowed to continue with their practice unabated and unchecked, there is very little to hope for in Asia's future.

How could a region be made poor and helpless by powers and forces beyond its control, leaving the countries within with little choice but to be at the mercy of those who are in position to help?

So unrelenting and unwavering was he on the practices of these forces (read: currency traders and new capitalists) that he said the time had come for a global reform of the international financial system for these volatile fluctuations in the currency market to be, somehow, checked.

But, Dr Mahathir conceded that it would be difficult, given the fact that these are new capitalists operating in rich and powerful countries, who will have everything to lose with reform and everything to gain without.

"But, one day they will lose money and they will realise," he told Malaysian journalists at the end of his visit last week.

After all didn't the world take 70 years to realise how bad communism was?

Certainly it will be a long hard, and possibly lonely, road for him in his war against currency traders to make the world realise that these "unabashed" practices should cease and desist, that they cannot regulate themselves, so their Governments must do so and impose restrictions on their practices.

It is unacceptable that these traders can render a currency of a country unstable by their play with the market. A prosperous country, nay, a region, can be so easily made poor in so brief a time.

When he blamed currency traders soon after the ringgit depreciated at the start of the currency instability in the region, many hesitated to subscribe to his view.

Some dismissed it as paranoia. Some said he was not being realistic, that really, he was avoiding the reality that we simply did not manage our economy well.

In time, many realised that he was not far from the truth. Nevertheless, by any measure, calling for some kind of reform does seem radical simply because it is not easy to do.

But the world has two options - decide to end these practices that have proven to be destructive to entire region by massive devaluation of currencies or leave them alone to rule the world.

As an example of violent currency fluctuation, Dr Mahathir cited one currency - the rupiah - which at one time was devalued by more than 600 per cent, then in a space of a few days recovered by 200 per cent. It is so easy to blame Governments for economic mismanagement as it is to blame currency speculators for the financial instability in the region.

How easy it is then to assume that currencies are intelligent and can devalue themselves when the Governments which issue them misbehave.

So, Asian nations must take stock of themselves and correct weaknesses, work together to be strong because in a globalised world, they will prosper for as long as they can resist forces that could render nations helpless and needy.

(END)