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Clear enough now who the real 'menace' are?

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PRIME Minister Datuk Seri Dr Mahathir Mohamad was described as being a "menace to his own country" for trying to protect and defend the interests of his fellow Malaysians and people in the region.

This was at a time when he was virtually the lone voice in declaring that "(currency speculation) is unnecessary, unproductive and immoral".

Months of inaction and a trail of destruction stretching from South-East Asia and Africa to Russia and Latin America later, the world must surely now be convinced that the real "menace" to the economies, people and democratically elected governments are the speculators.

These speculators have no qualms about impoverishing millions of people. They have only one goal and that is to make money, never mind if this means their activities result in untold sufferings.

Thanks to them, the Indonesian rupiah has plunged to the 12,000-level against the greenback from about 5,000 rupiah a year earlier, the ringgit by some 40 per cent, the South African rand 30 per cent between May and August this year alone, the Mexican peso 40 per cent in the past eight months and the latest victim, the Russian ruble, 50 per cent in a couple of days.

The Thai baht, whose flotation sparked the turbulence, and the Philippine peso fared no better, while even the Singapore and Hong Kong dollars were not spared, with the latter continuing to see its peg coming under heavy attack.

In the process, the stock markets were battered and the corporations found themselves strangled by illiquidity. For some countries, matters even took a turn for the worse rather than better when they sought and received "assistance" from the International Monetary Fund (IMF), what with the contractionary policies that are required of them in return for the rescue packages.

To cap the devastation, US\$203 billion (US\$1 = R,4.21) in capital pulled out from the region. No country, no matter how developed or advanced, let alone East Asia's developing economies, could have withstood this kind of sudden and massive reversal in the flow of funds.

According to Newsweek's computations, three Asian countries - Malaysia, Thailand and the Philippines - have suffered contractions in their gross national product (GNP), as measured in US dollars, far worse than the 26 per cent decline posted by the US during the Great Depression. The comparable rate for Indonesia is 70 per cent.

The effects are beginning to be felt in many sectors of the real economy, with the financial system facing severe strains, and trade is disrupted. The figures do not even begin to tell the whole story of the pain, hardship and often desperation faced by the people of these countries.

The ranks of the unemployed are growing by the day, while those fortunate enough to have jobs still, find their income being eroded directly by pay cuts and indirectly by the effects of the depreciation of their countries' currencies against the mighty greenback.

In Malaysia, the per capita income has fallen to US\$1,500 from US\$5,000 before the currency crisis; a standard and quality of life which had taken decades to achieve and mere months to nullify.

What choice do democratically elected governments have in the face of the merciless onslaught? Joseph Yam, chief executive of the Hong Kong

Monetary Authority, conceded on Wednesday: "Like it or not, governments have a role in protecting the level of income and employment of their people."

Free market devotees had long cited Hong Kong as a model economy, one that should be emulated by all. Today, this same bastion of free market is under attack by the very speculators it had chosen to defend last October.

At the World Bank/International Monetary Fund meetings then, it had viewed as almost heretical Dr Mahathir's warning that unregulated currency speculation posed a grave threat to the world economy.

Now that it has become the target of speculative attacks which undermine economic fundamentals, and play havoc with the currency and stock markets, Hong Kong though far from having been brought to its knees has now to compromise on its fiercely guarded philosophy of free market and enterprise. The philosophy has just been "thrown out the window," as Dr Mahathir was quoted as saying.

Starting last Friday, the Hong Kong Monetary Authority, through two government funds, has had to intervene in the market, which according to Yam, "is targeted at currency manipulation that took advantage of the automatic adjustment mechanism of our currency board... we wish to send a clear message to those manipulating our currency for this purpose that they may stand to lose money instead."

According to textbook economics, if a country has manufacturers who are efficient and competitive, and a government which manages its finances soundly, then a stable currency will prevail.

The speculators have shown how fallacious this is. It is no longer just a matter of tipping the balance; they have the power to recalibrate the scales.

The winners of this game of "command and conquer" are the handful of super-rich speculators who are getting even richer, and the losers the millions of helpless people who are merely striving to build a better life for themselves and their children.

To the former, the objective is to take all, not unlike in the computer game. To the victims only despair, not even acknowledgement of the injustice being perpetrated.

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