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Currency crisis creates new bond with Africa

Ahirudin Attan in Johannesburg

JOHANNESBURG: Africa would seem like a most unlikely target for a currency attack. The economies are generally poor or under-developed, burdened by debts and currencies that have no worth beyond their own countries.

There is famine in the north of the continent, poverty in the cities, huge unemployment, conflicts everywhere, a looming war in Angola and makeshift presidencies.

But as the countries in southern Africa are discovering, the currency traders can still affect, directly and indirectly. They would profit from the poorest among the African economies and make them even poorer.

The direct attack on the South African rand since May has adversely affected the Namibian dollar, Mozambique's meticaais, Swaziland's langeni and other currencies in southern Africa.

Most of these countries link their currencies to the rand - in the case of Namibian dollar, it is pegged one-for-one to the rand - and have seen the value of their money dropped by more than 30 per cent in three months.

As a result of the devalued rand, the economy of South Africa is going through a period of uncertainty - an experience Malaysia and countries in South-East Asia must be familiar with.

"It is not just a South-East Asian problem," Prime Minister Datuk Seri Dr Mahathir Mohamad said at a gathering of presidents and prime ministers during the recent second Southern Africa International Dialogue (SAID) in Swakopmund, Namibia.

"It can affect Africa ... South Africa is already being affected by the currency problem."

Dr Mahathir's visits to South Africa, Namibia and Mozambique, which ended last Friday, brought a sense of awareness among the leaders of these countries and others in the region of the dangers of currency speculation and currency traders on economies.

From Johannesburg to Swakopmund to Maputo, he was asked to explain in detail how currencies could be attacked, the implications, and what they could do to deal with the problems associated with currency attacks.

At the second SAID, a two-page fact sheet on the matter was issued by the Malaysian delegation for participants and members of the media.

Dr Mahathir's address on the dangers of globalisation, where he renewed his attacks on currency traders and those behind them, was carried live on the regional television network.

In all three countries that he visited, the leaders expressed appreciation to the Prime Minister for his insight into the issue.

"We now understand better the problems of currency trading through Dr Mahathir," said Namibian president Sam Nujoma. "We are aware that even when we succeed as nations, we will remain vulnerable."

South Africa's executive deputy president Thabo Mbeki regarded Dr Mahathir's stand as that of a "rebel", something the African leaders could easily identify with. "Many of us under this tent," he told a dinner thrown for SAID leaders last week, "were taught to be rebels".

Yet, he said, the Malaysian Prime Minister's rebellion is against the ill forces of international economic theories and practices. Mbeki said Dr Mahathir deserves the support of all countries that are vulnerable to the attacks by the currency traders.

Mbeki spoke passionately of the issue and of Malaysia's stand against the international currency regulators because the fall of the rand had

been partly attributed to his plans to replace the governor of the central bank with a black.

President Joaquim Alberto Chissano of Mozambique said southern African leaders acknowledge the forces Dr Mahathir is against. "(Dr Mahathir) will need the solidarity of nations behind him."

Whether the leaders from this region, especially those who attended the SAID, would continue to support Mahathir's cause for transparent and regulated currency trading will depend on many factors. There are many issues and conflicts, apart from the spectre of currency attacks, taking a lot of their time and resources.

But at the very least, the leaders, having seen what the rand is going through and how this has been affecting their own economies, have agreed to further dialogues on the issue.

As for Malaysia, the depreciation of the ringgit has created new limitations to what it could do to enhance economic cooperation with countries in southern Africa.

"For the time being, our role will have to be reduced," Dr Mahathir said in Johannesburg, at the beginning of his trip, of the concern that Malaysia's contribution as a major investor in the region would be diminished by the problems it is now facing.

It was clear by the end of his visit, though, that despite the problems back home, there are still opportunities for Malaysian investors in this region.

Things are not going to be as easy, though. Malaysians operating in South Africa, Namibia, Mozambique and other southern African countries - including those running the four Malaysian banks here - must prepare for the impact of the rand attacks on their bottomlines.

At the same time, they must remain committed to the long-haul relationships they promised their African counterparts, through good times and bad.

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