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PM's call for regulated currency trading slowly being accepted

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WHEN Prime Minister Datuk Seri Dr Mahathir Mohamad first suggested last year that currency trading be regulated to protect nations from speculative attacks, the whole of Asia, if not the world, chorused: "Preposterous".

In the name of free trade, it is just unthinkable to introduce regulations for currency trading. This is the age of globalisation; down with trade barriers and let goods, services and currencies flow in and out as freely as possible.

That was at the start of the Asian economic crisis. At a time when just a number of countries, namely those which reportedly mismanaged their economies, were suffering the effects of "too-much-too-soon" growth in financial, property and capital market sectors.

Today, after a few more economies have been battered, including fundamentally-sound Hong Kong and Taiwan, Dr Mahathir's suggestion is slowly being accepted and promoted, even by those who had criticised him initially.

Agreed that there is no consensus on the causes or cure for the crisis, but regulating currency trading might just work.

Philippines Stock Exchange chairman and chief executive Jose Luis Yulo said: "When we trade goods, we have to follow certain rules, like World Trade Organisation rules. Banks have to abide by international banking practices, but when it comes to currency trading we do not have any rules for the game.

"Now it's like the rule of the jungle, the strongest will push the weaker," he said during the third Asia Pacific Economic Cooperation Business Advisory Council meeting in Taipeh over the weekend.

Abac is the private sector arm of Apec and has a mandate to advise Apec leaders on issues affecting businesses in the region.

The just-concluded meeting, which is the last Abac meeting before the Apec Economic Leaders Summit in November, echoed the new trend in thinking.

What used to be unfashionable then is now quite the in-thing - that is to say not all financial remedies prescribed by world financial bodies like the International Monetary Fund, including those that called for free access to domestic financial sector, are curing the economic ills of Asia.

Participants at the three-day meeting, comprising some of the corporate movers and shakers of Asia Pacific, acknowledged that speculative attacks on currencies are bad and must be checked.

Apec, (Asia Pacific Economic Cooperation) which groups the richest (United States, Canada, Japan and Hong Kong) to the poorest (Papua New Guinea), is in a spot today.

While some members are comfortably buffeted from the crisis, some like Malaysia has seen its per capita income, which grew steadily over the last 20 years to RM12,171 last year, halved almost overnight.

If Apec's operative word is cooperation, now more than ever, is the time for the 18-member body to show that it lives by that word.

In Taipeh, Abac urged its respective governments for urgent actions to address the financial crisis.

It stressed that while the benefits of trade and investment liberalisation are clear, the ramifications of speculative currency trading in the absence of adequate governance are not clear and need to be

urgently addressed.

Abac chairman Tan Sri Tajudin Ramli, who is one of three Malaysian representatives on the council, said: "This combination is all-important. Desperate times call for urgent and tagible actions by governments to restore growth in the affected economies".

Asian Development Bank Institute Dean Dr Jesus P. Estanislo, who attended the meeting, said: "When everything shall have been said, the critical action we need to take should be that of achieving and maintaining greater currency stability.

"The world is full of suggestions in this regard. But at the end of the day, we need some anchors and the reality of world trade, modern financial flows as well as immediate past experience suggest that these anchors should be plural not singular.

"To be specific, we should not put all our eggs in one basket, the US dollar. Some variety is called for, depending on the relative weights of one's economic and financial transactions. Perhaps the euro and the yen.

"Few may want to go back to fixed and rigid exchange rates but surely between the bad old days of the past (fixed exchange rates) and the bad new days of the present (free floating exchange rates) we should be able to find a reasonable middle arrangement which formalised occasional joint interventions by several monetray authorities," said Estanislo.

Malaysia's drastic step of making ringgit non-tradable outside the country and instituting a fixed exchange rate against the US dollar, while viewed negatively by some, was seen by a few at the meeting as "necessary".

The sympathisers said the move was prompted by the inability of international financial communities to implement remedies other than the standard free-market reforms and liberalisation.

Hong Kong-based Hopewell Holdings Ltd managing director Sir Gordon Y.S. Wu said: "With economies having lost confidence in the free market system, I would not be surprised that more and more economies will contemplate taking similar radical measures that would address their immediate problems.

"The logic for survival is compelling. If this basic need runs foul of the principles of liberalisation, then the choice for such governments is clear.

"Malaysia's response to the contagion effects of the financial crisis has now put Apec in a dilemma (over its next move). The day will come when even the greenback and the euro will come under speculative attacks," Wu added.

Sime Darby Bhd managing director Tan Sri Nik Mohamed Yaacob, who sits on the Financial Crisis Taskforce, said one of the clearest signals that Apec could send that it means business is to squarely address the issue of regulation and governance of the international financial market and not discuss this as an insurmountable task to be studied endlessly.

"Apec's commitment to this single critical issue is now paramount and would determine whether it would become the great forum it can be or be reduced to another talk-shop," he added.

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