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Global currency system needs reviewing

Ghazali Shafie

LOOKING at our own selves now, we seem uncertain as to the direction we ought to take. It seems to me this is the best time to make a decision whether to continue with the dominant thinking of the 60s, 70s and 80s which is now current even in advanced industrialised countries or to plunge into a future thinking which will carry us through to 2020.

The US and Japan in trying to solve their respective problems had tried the old ways without much success.

There should be a new thinking. If the proposal for a new thinking appears somewhat far-fetched it is because the cynical media and commentators have not as yet realised that all this volatility in politics and currencies is the result of a shifting paradigm or movement forward through a passage of transition.

The period of change is always a period of uncertainty. The movement itself would be crisis-prone. Although the signs were looming large nobody seemed to take care of the management of that imminent crisis before or when it arrives. Our own arrogance says that we were not like other countries, such as Mexico or Japan which suffered setbacks. We boasted of our country's fundamentals as good and in place which in fact they are quite irrelevant.

I have said it before and I say it again this time that "free" is always associated with crisis and a free market system is crisis-prone. Crisis is therefore immanent in a free market system. It would not be possible to manage the crisis successfully if we still base our thought and its management in the context of the dominant pattern of yesteryears.

Was it in the 80s in Austria or somewhere, I cannot recall, when I said rather loudly and publicly that the international currency system had to be looked at seriously by all countries in the world since money had become a commodity to be bought and sold.

By the beginning of the 60s major currencies had become convertible and it was during that period that Japan was accepted by the Organisation for Economic Co-operation and Development (OECD) and, by the same token, Japan had come of age as an industrialised country - a status Japan had always yearned for since before the Pacific War.

Can Japan be great again in her industrial pursuit when fundamental imitative or innovative productions are no longer possible due to a number of curbing reasons? The regime should be confined to currency which is only ushered in or out in respect of the purchases and sales of stocks.

Real "investments" for production purposes should continue to be liberally treated with incentives.

The industrialised countries during the Uruguay Round were vehemently trying to get a multilateral agreement to frame a global regime with the aim of liberalisation of foreign investments. After the looting of our hard-earned wealth we now know better why the "liberalisation" was important to them. Now the rich industrialised vandals could just pick up our cheap or dying companies. Of course, we shall be experiencing more as a result of our liberalisation particularly our currency mobility. With the proposed regime in place the raids could still take place but it would be wearisome for the vandals to move their loots out.

Prime Minister Datuk Seri Dr Mahathir Mohamad's recent proposal in London about the need to look at the currency problems is extremely relevant; hence the advanced countries had no other choice but to pay

heed. Even (George) Soros who made the uncalled-for remarks that our Prime Minister was a menace to Malaysia could not disagree with Dr Mahathir.

Malaysia had most of the time flowed with world opinion particularly that of the US lest she would be branded as the oddball and anti-West. It may be mentioned that when the currency market began to wobble and the Treasury with Bank Negara found itself helplessly unable to stop the currency haemorrhage, all the Government could do was for the Prime Minister to call the attention of the world in Hong Kong and London that something had to be done internationally.

Malaysia suffered silently and waited for the financial plumbers to repair the damages and plug holes in some of the affected neighbouring countries.

All what Malaysia saw were generously, even arrogantly, issued mantras from the International Monetary Fund gurus to unlimitedly raise interest rates level. Malaysia could not help noticing that the various suggestions seemed to protect currency managers and to ensure that they would not be incited to panic stations. The IMF gurus had issued mantras only with the aim of making short-term fund managers happy.

Malaysia could no longer wait for any enlightened advice. There seemed to be a brankruptcy in new ideas or cures for new diseases.

Malaysia unilaterally took the bold measures as outlined by Dr Mahathir early in September contrary to popularly-held US social ethos espoused on the cheap through many of her agencies in financial diplomacy.

After the initial flush of caning and public disagreements there is now a growing tendency to argue among economic eggheads in favour of debunking the IMF, and some had even come to terms with the idea of capital control in cases of currency trading. There were others who actually lauded the Malaysian measures, albeit short-term, to be correct and would be successful on the basis of a new cure for newly-discovered ailment.

In fact there seemed to be a new realisation that in the ambience of market freedom there must be some regime to control absolute greed if the free market was not to be a flea market.

The idea that money as a commodity for trade would require a global regime and a multilateral arrangement like rubber, tin, palm oil, pepper or cocoa, to name a few. It has to be global or the money would be traded in an uncommitted spot on the globe and that would spell disaster for the currency system.

There should be enough propaganda or public relations work to explain to all and sundry the need for such a regime. Radio, television and eggheads should unitedly talk about it and not just be cynical. There are enough supportive data to prove the point logically and scientifically so that the yokel in Lipis with his few ringgit and the fellow in Arkansas with his dollars together with the chap in South Korea with his wons still simultaneously and together understand a little more about money as a commodity in global terms.

Once this is understood then there would be a popular and democratic support for the currency international regime and indeed for the recognition that we are entering into a new world with a fresh paradigm. The most obvious impact of the understanding of this problem would be political with the realisation that the important element in democracy is a clear understanding of issues and not just having an opposition party or a cynical and often misleading Press, puking negative thoughts under the umbrella of the freedom of speech or the Press.

The new thinking would conduce towards togetherness in the prevention or the management of the crisis which will visit the world cutie regularly.

We, the peoples of the world, just cannot hope to see the 60s, 70s and 80s again, least of all Malaysia with its bubble economy arising out of

the politics-as-usual attitude in an era of change, therefore uncertainty. I think, despite the vigorous denials, the US too is showing signs of a bubble economy.

If we believed that the whole world should be our neighbour and that we should create a global village, let us unitedly work towards a common ideal and shared values. The next century indicates a way of life and living in togetherness, in the sharing of power and in consensual and not confrontational democracy.

There must be flexibility and empiricism without inhibition so long as the core cultural mores are kept intact or in constant repair. Peoples of the world must unite, to get rid of the emotional, intellectual and cultural shackles of the 60s and 70s and emancipate themselves with their entry into a new era!

The old thinking had shown that there is a strong linkage and proximity between economy and security according to the US ideology. There was the Japan-US Security Agreement, US-led UN in South Korea, Seato, Anzus and US actions in Indo-China. The Bretton Woods liberal economic globalisation, thought out in 1944 and carried through until now, is extremely germane to the question of security and the culture of the free market as determined by the US.

I believe the new era should be the subject of a world study. If nobody else thought of doing so, then Malaysians should take the initiative to organise one in order to bring a new awareness to our people and others as well. Let a non-governmental organisation take the initiative. Certainly the possible and probable images of the future should be studied in order that we as Malaysians and indeed as world citizens would be able to make a choice of a preferable future.

We should be modern and industrialised, distinguishing at once the difference between modernisation and industrialisation. I would suggest that the study should include the impact of industrialisation on society. I hope the study would be given priority so that we could avoid the tiresome rhetoric of the clash of cultures or civilisations. We need first to decide on what are the core values we need to retain and nurture.

These core values, once determined, should guide us in our societal engineering towards modernisation and industrialisation. We need to wed the idea of industrialisation with modernisation lest our Look East policy would only blindly copy the Japanese or the South Koreans who, like their western industrialised societies, whom they in their state of absentmindedness had emulated, have many serious pitfalls.

I am sure if a study was made, it would reveal the need for a new methodology and curriculum in education so that our nation would not be divided into a 20 per cent IT literate and an 80 per cent IT illiterate. I would think our country and the world should never be so dichotomised. There is a very strong possibility that a third group in the world, e.g. in the African bush or in the central Asian steppes, may emerge as marginalised peoples. If the world was so divided it spells trouble for the whole of mankind.

We have to adjust our thinking to the needs of today which might include the problems of managing market shares with too many businesses chasing a limited number of customers even with World Trade Organisation rules and broken-down tariffs. And we may come to the conclusion that IT will not be as important as claimed if we could through R&D value-add our own natural resources into products with definite edge in the world competitive market.

For some countries including our own remote areas there are problems of logistics and transportation of food and other necessities. There is, therefore, the need to look at food security in the face of human

expansion in birth rates. This, in my view, is an important issue of human right - which is the inalienable right to be free from hunger. One just cannot chew microchips instead of potato chips. There should be adequate supply of food with equitable and reliable distribution systems on national and international levels. This is of utmost importance to developing countries and many of the problems have been documented by the World Food Summit held in Rome (Nov 13-17, 1996).

We in Malaysia with abundant rainfall cannot downsize the problem of water which, in my view, is related to the question of environment and deforestation. It is a myth that water is in abundance because of rain, but rain water may contain acid. Let us make a study of the dry irrigation systems for padi and the rows of people with buckets clamouring for water in many parts of Kuala Lumpur. The study may also reveal that hasty privatisation of water management may not serve the people adequately in a developing country. If privatisation and deregulation are strongly defended, the study may suggest adequate measures and mechanisms to avoid water shortage where it should not be so.

We are facing the problems of poisoned rivers and rain falling outside the catchment areas. Let not the shortage of water be a sad commentary on the management of water in Malaysia. With the problems of water and currency supplies, indeed, as many Malaysians would jocularly remark, we now have a liquidity problem!

The people with the governments of state and central should take a brave, bold and united stand and, where necessary, to make related and coherent policies to ensure that the rights to food or water are not violated. And we should continue to be dedicated to rural development to ensure that we would be basically strong in the fundamentals for future development.

For Malaysia growth is imperative. Malaysia should always adhere to the economics of prosperity and the concept of continually creating a bigger cake. Otherwise, the distribution would not be equitable and seen not to be so, and government interventions would be branded as a policy to Rob Peter to Pay Paul.

If there is sufficient sign that others in the world are ossified and still wedded to the dominant thinking of 60s, 70s and 80s with their value systems pulling and pushing in all directions and myopic gurus continue to theorise and offer outmoded messages, we in Malaysia should ignore them and proactively tell the world that the world needs a new multilateral commitment with modalities and mechanisms which are germane to match the challenges of the crisis-prone free market system. Malaysians should refuse to be fossils but pioneers of a new era without boasts and big bangs!.

Tan Sri Ghazali Shafie, former Foreign Minister, is a Distinguished Fellow of the Institute of Strategic and International Studies, Malaysia, an Adjunct Professor of Universiti Kebangsaan Malaysia, a Fellow of the University of Wales, United Kingdom, and a Fellow of the National Institute of Public Administration.

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