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Time for concrete measures

NOW that the Western governments have finally acknowledged the need for reforms in the global financial system, half the battle that Malaysia has been waging against hedge funds and currency speculators should have been won. But that's an assumption which has little or nothing at all to do with reality. The real situation has not changed much. Over a year after the start of the Asian financial crises, the financial world remains an unsafe place for developing countries like Malaysia. The bad news is that it may still not be quite safe to come out and play even if the proposed reforms take place.

As for the countries in the West that were so adamant last year about the Asian problem having its roots in corruption, a lack of transparency and cronyism, the contagion effect had taken them all by surprise. When Hong Kong and Taiwan - the two Asian countries apart from Japan and China with very large reserves - were somehow dragged down by the crisis, the Western countries finally realised that it was not as they had thought, after all. And then, all hell nearly broke loose and the great powers in the Group of Seven (G-7) industrialised nations realised immediately that urgent damage-control measures were called for in order to stop the contagion from spreading to their economies. The fall of the ruble and with it the Russian economy which had been struggling to wrap its tiny hands around the massive girth of the market economy, sent many Western investors running helter-skelter and cost the hedge fund, Long-Term Capital Management, great losses. Overnight, the spectre that had ripped economies and societies in Asia apart came to haunt Europe and America. And then, in no time at all, everyone west of the Suez Canal was talking about reforms.

But reforms by who and for whom is the compelling question. It is a question that must be asked by the developing countries, which are the ones that have borne the brunt of the fallout from currency speculation. Prime Minister Datuk Seri Dr Mahathir Mohamad, whose voice was the lone mouthpiece more than a year ago in fighting for a check on the activities of hedge funds and currency traders, has found it necessary to raise the issue. Yes, reform is what Malaysia has been clamouring for to put a stop to the activities that had caused the ringgit, baht, rupiah, won and ruble to fall so fast that economies were wrecked, millions of jobs were lost and dreams shattered. But because the industrialised countries have the tendency - as they have often displayed in the past - to burden themselves with the big decisions affecting the world, it is necessary to remind them that they are not the experts here. As a trained medical doctor, the Prime Minister said that he would describe the attitude taken by developed countries in this matter as "people who are well not being able to understand how sick people feel. They will only understand when the illness strikes them too".

The G-7 in October suggested a range of measures, including a borrowing facility that developing countries could tap before major crises struck. Everybody is also talking about structural changes to the International Monetary Fund, whose impotence with regards to tackling the Asian crisis is now legendary. The US has warmed to a Japanese idea of establishing a US\$100 billion (US\$1 = RM3.80) for crisis-hit economies but its initial objection when Tokyo floated the idea last year has cost millions their jobs in the region. Malaysia, of course, was not going to await "the

ponderous movements of the great powers". To save its economy, currency exchange rate controls were introduced in early September. The Government was belittled for this move just as Dr Mahathir was ridiculed a year ago when he spoke about the adverse effects of the activities of currency traders as well as hedge funds in general and Mr George Soros in particular. However, Malaysia was prepared to let the results do the talking.

The leaders' meeting of the Asia Pacific Economic Cooperation (Apec) forum opening today will look at all these developments and options. Since more than half the economies in Apec have been hit - four very severely - the Kuala Lumpur Summit is the proper place to come up with concrete ideas if not measures.

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