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Unity in our convictions

PRIME Minister Datuk Seri Dr Mahathir Mohamad's farsightedness in calling for the regulation of currency trading is acknowledged by some of the region's top tycoons, who are now calling on their leaders to adopt a similar stance. Harsh criticisms of his unconventional ideas have not obliterated the admiration of some for his ideas, be they against mainstream Western thinking.

An American publication, Business 2.0, has listed Dr Mahathir as one of the 25 most intriguing minds of the New Economy in its premiere issue a few months ago. Interestingly, those listed are mostly white, male and born in the United States. The publication says that intelligence is the intangible driving the New Economy and to qualify as an intriguing mind in a networked world demands more than technical genius. It observes that intriguing minds possess a real genius for figuring out the value of exchange, make links where others only see separation, distribute what others hoard and change when others seek comfort.

Where global market capitalism is concerned, seeing the holistic picture is hardly an easy thing to do especially when almost everyone else is enamoured with the so-called doctrine of salvation in free market. But Dr Mahathir has been able to "make links where others see separation" as shown, for instance, in his observation at the joint World Bank/International Monetary Fund annual meeting in Hong Kong that "currency trading is unnecessary, unproductive and immoral".

Indeed, fund managers with global outreach have become the judge and jury of governments' economic and financial policies. When countries do not respond to their investment demands such as rejection of government intervention in the economy although it is necessary for the people's socio-economic improvement, they invoke "market discipline" which is no more than the bashing of currencies. When we don't respond in the way desired by the Western financial community, we are accused of being in a state of denial. We are not against free trade but in its current form, it is opened to anarchy and abuse.

Much within the global financial market and institutions like the IMF show that it is ruled by the mighty who wants to perpetuate its financial supremacy. It is easy to see the ulterior motive of Western interests in putting governance and openness to foreign direct investment as prerequisites for financial aid. But why should external finance support intrude into a country's policies which are unrelated to the financial crisis? As many economists point out, the East Asian financial crisis is a liquidity crisis. Giving financial aid on the basis of conditions and releasing it upon their compliance is nowhere a liquidity response.

World Bank chief economist Joseph Stiglitz says it is foolhardy to embark on structural financial reforms during a financial crisis. It causes widespread bank closures and sharp increase in interest rates which, in turn, will reduce asset values and impair confidence in the currency. Yet we see IMF bulldozing such reforms in other crisis-stricken countries. Its contractionary measures such as the shooting up of interest rate in these countries have turned the financial crisis into a crisis of real economy.

We are avoiding such a fate by adopting balanced interest rate and controlled foreign exchange measures. Criticisms will come our way. But we stand united in the convictions expressed by the leadership.

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