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Writing has long been on the wall

AS FAR as trouble with the ruble is concerned, the writing has been on the wall for some time now. Though some declared that the Kremlin's decision on Monday was a reversal of an earlier decision, there had been very little doubt that the ruble would sink sooner rather than later. In market terms, the word "discounted" comes to mind: the fact that markets and currencies worldwide did not react wildly to the ruble's effective devaluation was because they had discounted, or anticipated, the news. Anticipation and market reactions aside, the troubled ruble will definitely have a deep and prolonged impact on the world economy.

In Malaysia, Thailand, South Korea, the Philippines, Indonesia and even Singapore and Brunei, businesses and people understand the deep and prolonged effects of a currency crisis. It's been more than 13 months now since the effective devaluation of the baht started the ball rolling. Malaysia has maintained that currency speculators who manipulate the foreign exchange market and the stock exchange are to blame for the the forex chaos in the region. Prime Minister Datuk Seri Dr Mahathir Mohamad, in his calls for more transparent and regulated forex trading, has reminded the world that the South-East Asian crisis could spread to other countries. Many experts sniggered at this theory and ridiculed the man, but today even Hong Kong - the country Dr Mahathir first raised the issue of rules and regulations for currency speculators with - is battling the malaise. China, Taiwan and Japan have been under siege as well and about 10,000 km away South Africa has begun reeling under pressure from speculators. The ruble, stable for many years, had always seemed able to avert any crisis. Until US financier George Soros, in an article in the London Financial Times, decided to speak his mind about the fact that he thought the ruble should be devalued.

With most banks in Moscow immediately increasing their price for dollars to as high as 9.5 rubles, about 30 per cent higher than last week, the International Monetary Fund (IMF) almost as immediately sent its top Russian official to meet with some top Russian debt negotiators. One rating agency instantly lowered Russia's country rating and the Government announced a moratorium on foreign debt, the same move made months ago by one of the South-East Asian countries hit by the region's crisis before its economy plunged dramatically and its streets were lit with flames from riots. In the next few days and weeks, the situation in Russia will be tense and some governments in the West might decide to advise their citizens to include the former USSR in the list of countries they should not set foot in. The media has attributed the mess to Russia's "rickety financial system".

As long as this is how the IMF, the international media and governments are going to deal with the currency problem, there will be more of the same in store. Instead of focussing on the root of the problem, which lies in an undisciplined global monetary system, countries like Malaysia, Mexico, South Africa and Russia - and more than a hundred others - will continue to be at the mercy of influential speculators backed by wealthy banks in powerful countries. The ruble's devaluation has at least moved some analysts from as far away as Tokyo to call strongly for ways to discipline the market (i.e. the speculators). In the meantime, the IMF will be hard pressed to find the money and the resources to prop up the Russian economy. A desperate Russia certainly would not benefit its

neighbours, including Europe.

Why the people running the international monetary system are opposed to firm regulations is anybody's guess. Lack of empathy could be a reason. The average American, for example, probably does not even know what is happening in the rest of the world since the US economy is booming. Nevermind that the prosperity may be at the expense of the well-being of peoples in other countries. The experts in the IMF and in Washington, however, are hardly average; they should be able to read the writing on the wall and realise that the problems are not isolated and will not stop with the ruble.

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