

26/07/1999

Global regulation before globalisation (HL)

Zulkifli Othman; Shahrizan Johari

DATUK Seri Dr Mahathir Mohamad yesterday call for more rules to help poorer nations compete with the strong ones.

Opening the 4th Langkawi International Dialogue, the Prime Minister said the world must have more regulation before globalisation if poorer countries are to have the same opportunities in sharing wealth.

The Langkawi dialogue is an annual event which is a cross between a summit meeting and coffee talk. It is probably the only event in the world where heads of states, academics and businessmen roll up sleeves for some straight talk.

Dr Mahathir proposed a world order that will ensure poorer nations get greater leeway to compete with the strong nations.

Dr Mahathir said globalisation can only bring benefits if someone can enforce rules that can ensure poor countries will not be faced with repeated economic turmoil and regression.

"Currently, the poor have hardly any say. Many who are obliged to the rich for aid and loans are not able to speak out," he said at a banquet which marked the official start of the Fourth Langkawi International Dialogue in Langkawi last night.

Dr Mahathir said ensuring a level playing field was not enough if the players are not of the same size.

"In order to have free trade we must regulate. We have to discard some regulations but they must be replaced with new ones worked out by the international community," he said.

Dr Mahathir said there must be transparency in trade and dealings between nations, and this includes currency traders and market manipulators who must be made to open their books to scrutiny.

"There must be limit up and limit down provisions so as to prevent excesses," he said in reference to equity markets where trading is suspended temporarily if prices increase exorbitantly or decrease very sharply, a ruling designed to control wide fluctuations and ensure market stability.

Dr Mahathir also recommended that hedge funds be rated and prevented from being leveraged more than a reasonable multiple of their assets and those competing with them must be able to leverage by the same multiple at reasonable rates.

He said ratings must be done by international non-profit organisations financed by the international community and no one should dominate through too high a proportion of the financing.

Dr Mahathir also proposed a tax on all international speculators who should be prevented from operating out of offshore financial centres. This tax would then be shared to help countries ravaged by these speculators to recover.

"Globalisation, a borderless world, is already a fact. In the field of information distribution and e-commerce, borders mean very little now.

"But the fact that globalisation has come and is apparently irresistible does not mean that we should just sit by and watch the predators destroy us.

Dr Mahathir said the recovery of East Asian economies had little to do with the current financial world order.

He said these economies are now showing signs of recovery, but this was due to curbs imposed on currency traders in the wake of the Long Term

Capital Management Co, a hedge fund that nearly collapsed.

He said the Western countries also decided to rein in the hedge funds because they feared that countries affected might just react by regaining control over their currencies or simply refuse to pay their debts.

"The recovery of the economies of East Asia is not even due to the loans extended to them by the IMF.

"It must be noted that these loans are largely for paying loans due to foreign banks," he said.

He said the developing countries of East Asia had learnt a bitter lesson on the free flow of capital across their borders - it can result in economic well-being as well as destruction.

"If free capital flows and currency trading are manifestations of a borderless globalised world, is there any reason why the developing countries should accept globalisation unquestioningly?" he asked.

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