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Go for paradigm shift, says 'Mr Yen'

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SPECIAL advisor to the Japanese Minister of Finance Dr Eisuke Sakakibara yesterday said governments and private organisations should "complement and interact" with capital and money markets and not exist as substitutes for each other.

Saying that the world was undergoing a great transformation which he termed "cyber capitalism", Sakakibara said to adapt to the transformation, a shift in paradigm was necessary.

"The shift in paradigm from market fundamentalism to a regime where governments and regional and international organisations complement and interact with markets seems in order."

Sakakibara said there was a need for a domestic and/or international regulatory organisation to oversee cyber capitalism.

Sakakibara, also known as "Mr Yen", was speaking at the half-day International Symposium on Currency Controls and Asian Monetary Cooperation, organised by the Institute of Strategic and International Studies (ISIS) in Kuala Lumpur.

The symposium was officiated by Prime Minister Datuk Seri Dr Mahathir Mohamad.

In his speech, Sakakibara said the problem with cyber capitalism lies in its "inherent instability" and serious convulsions associated with the transition from normal capitalism to cyber capitalism.

"I think the clear recognition is that markets need to be well supported by governments and that markets and governments are complements and not substitutes" said Sakakibara.

Without sound infrastructure and proper regulations the upcoming cyber societies were bound to collapse, he added.

Supervision of the State is needed, "whether we like it or not, we have to live with this brave new world driven by real-time information transmitted globally across national borders" he said.

Later at the question-and-answer session he reiterated his belief that there should a substitute for the international structure surrounding the existing currency exchange system.

He said it would be impossible to prohibit currency trading but it must be kept in an orderly state.

"The issue now is to provide sufficient alternative infrastructure and systems to accommodate currency trading.

"Emerging economies should go for a fixed exchange rate with flexibility."

Drawing from his own experience during his recent tenure as the Japanese Vice Finance Minister when his comments moved the Yen, Sakakibara said managing exchange rate "is like a battlefield.

There must be a show of determination and at the same time communication with the markets.

"The key is fixed rate with flexibility and determination with the ability to surprise the market," he said.

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