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WEF-CLOSE (A commentary)

MORE GLOBAL LEADERS ACCEPTING MALAYSIA'S VIEWPOINT ON FINANCIAL REFORM

By: Yong Soo Heong

DAVOS, Feb 3 (Bernama) -- As the annual meeting of the World Economic Forum (WEF) winds down to a close on the slippery icy slopes of this ski resort today, the organising committee and participants will be thinking hard whether they had succeeded in laying the foundations for an improved global economy which is far less turbulent.

But whatever the perception, Malaysia, which had been severely impacted by the currency turmoil, had done what needs to be done in terms of furthering its interests as well as those of developing economies in calling for better-regulated financial markets.

Undaunted by the almost blizzard-like weather with temperatures reaching minus 22 degrees Celsius at one time, Malaysia mounted the campaign on the sizzling topic from Day One last Friday.

The icing on the cake is that more world leaders have begun to accept Malaysia's point of view on the need to have better regulated financial markets to prevent currency manipulators from impoverishing countries.

Prime Minister Datuk Seri Dr Mahathir Mohamad, taking the stance that currency trading had served no good purpose as far as the world's economy was concerned, eloquently put the case before other WEF participants for a global solution to the crisis.

Few would remember that he had already made the call as far back as September 1997 but at that time his views were quickly dismissed and he was described as being ignorant of the market forces at play.

"The world can do without their destructive cattle-like behaviour," Dr Mahathir repeated in Davos.

He said if the world really believed in peace, democracy and justice for all, currency trading should be destroyed or curbed.

"Then and then only we will see a revival of the world's economy and an equitable distribution of wealth," said Dr Mahathir.

The prime minister has now found an ally in German Chancellor Gerhard Schroeder who said speculators had been wrecking havoc in stock markets as well as entire economies.

The new German leader, who came to power late last year, said the speculative forces had brought whole economies on the brink of ruin and led to dangerous instability around the world.

Saying that even currency speculator George Soros had admitted that there should be order, Schroeder said then it was high time that the world got serious in establishing a new financial architecture.

A Group of Seven (G-7) meeting later this month will discuss the matter in greater detail.

While the Western powers, aided by its biased media, may think and want to make others believe that that such an idea is entirely theirs, Malaysians must take comfort that Dr Mahathir's idea on currency reforms, which seemed preposterous at one stage, is gaining currency among world leaders.

In the spirit of "Malaysia Boleh" (Malaysia Can), Malaysian delegates to the WEF gathering had put forward the country's argument convincingly.

Bank Negara Malaysia adviser Nor Mohamed Yakcop, who spoke at one of the sessions, said the regulation of financial markets was not new. For instance, rules in the form of domestic security laws currently existed in almost every economy against the cornering of domestic securities.

Now that the financial crisis had hit countries like Russia and Brazil

as well as hedge fund such as the Long Term Capital Management (LTCM), the Western powers want to nip the problem in the bud before it spreads to their doorsteps. Take the case of the US Federal Reserve Bank's initiative to lower interest rates three times when the LTCM hedge fund crisis loomed.

But what did the International Monetary Fund (IMF) do when East Asian countries were hit by the crisis? It instead called for raising of interest rates and closure of banks which subsequently led to destructive panic.

It would appear that when Western institutions are affected, "kid gloves" prescriptions are made. But when Asian countries are affected, they are told that they must accept the harsh realities of market forces.

The Western powers' desire to act now is best summed by Wang Daohan, senior adviser of China's Foundation for International Strategic Studies. In describing globalisation as a double-edged sword, he said while it had sped up economic development on one hand, it also widened wealth disparity in the world.

"The instability of those emerging markets has also strongly impacted on developed countries. If its negative elements are not under effective control, developing economies will be in difficulty, which developed countries will also find it very hard to escape from."

While Dr Mahathir has been explicit in pointing the finger at hedge funds for the haemorrhaging in financial markets, especially when they are able to secure funds up to more than 200 times their capital, US Treasury Secretary Robert Rubin played down the issue at Davos.

Rubin, who had been a Wall Street trader for 26 years, said he did not believe that hedge funds had been a significant factor to the crisis.

But he conceded that the activities of hedge funds "may have amplified market movements in some cases for some period of time" and that the way that they had leveraged their borrowings in order to speculate "merits further examination."

So isn't that something which Dr Mahathir has been saying all the time?

Dr Mahathir also found support in Jean Chretien, the Canadian prime minister, who was also devastating in his remarks against speculators. Saying that the Western world had been too triumphant about capitalism, he added, "To me, capitalism has not come up with all the answers."

When a market collapses, the losers are ultimately the ordinary people, he said.

"We cannot see prosperity disappear overnight because some boy in red suspenders in New York decides this is not a good currency," said Chretien in a reference to young and brash currency traders causing havoc to the market.

The road towards a new financial architecture is long and tortuous but Malaysia has taken that first step in sparking off debate in high places on the need for financial reforms. -- BERNAMA

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