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Talk of a Langkawi Initiative emerging from dialogue

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THE Langkawi International Dialogue (LID), an annual exchange of ideas between Governments and industry, may be emerging from its loose, no-strings-attached platform.

There is already talk of a Langkawi Initiative, a formal paper putting forward the idea that developing countries should be included in the decision-making process when big financial powers decide on a new global financial architecture.

"There is a definite feeling among participants that maybe we should present our ideas to the world," said Datuk Choo Eng Guan, chief executive of Mycom, South Africa.

Choo said that if there was one message out of the fourth LID it is that everyone should be included in talks about financial stability.

If a hard-copy Langkawi initiative emerges, it would be a departure from the LID traditional format of spreading ideas through winning the hearts and minds of participants that include leaders from developing countries as well as out and out capitalists at the same table. There is nothing printed on paper and no communiqués issued at each dialogue.

Other participants said the strong feeling about what had happened during the so-called Asian financial crisis ensured lively talk. The theme of the dialogue this year is "Managing Economic Recovery for Shared Prosperity - the Smart Partnership Approach".

Dr Ahmed Tasir Lope Pihie, chairman of LID national committee said participants were more animated this year compared with previous dialogues.

One of the speakers at the dialogue, Professor Thomas DeGregori of Houston University said the time has come for something like the Langkawi Initiative to be put forward to counterbalance multilateral initiatives from the West including the so-called "Washington Consensus" of the World Bank, the International Monetary Fund and the US Treasury that has dominated the world financial situation.

"The IMF advice to stricken Asians were more to solve the problems of the foreign lenders, the people who caused the problems, while shifting the burden of payment onto innocent parties."

Talk on the Asian financial crisis in the morning session struck a chord with participants.

Even as Asia is emerging from an economic crisis, alarm bells are already ringing over whether the US economy is about to make a hard landing in the near future, said Mr Geoffrey Barker of Kleinwort Benson Hong Kong.

He said the ingredients of the recent economic crisis in Asia; a tremendous credit boom fuelled by foreign money and easy money at home; resources are being misallocated, the mispricing of risks especially in the derivatives market and an overconfidence that leads to policy mistakes.

"I think there are very many things to worry about the US economy in the next two years," he said.

"I think the crisis in Asia is over but we now have a role reversal: The recovery that we have seen in Asia will bring to an end to the "Goldilocks" economy in the US.

"As the Asian economy recovers, we will do to them what they did to us."

"The recovery here will undermine and bring to an end the boom market in

the US just as the reverse happened three or four years ago," he said. Barker said Asians need to plan its economic strategy carefully to insulate itself from any slowdown in the US economy.

He said Asian planners need to factor in the probability of a bumpy landing of the US economy by strengthening the regions balance sheet, continue and complete bank recapitalisation and consolidation already underway.

Asians should also keep down the level of gearing at the corporate level, companies should look to raise equity and pay down debts, especially foreign debts.

"We must not fritter away the hard-earned currency surplus over the last 18 months because this will form an enormous source of strength in the coming next few months," he said.

Prime Minister Datuk Seri Dr Mahathir Mohamed, who moderated the session, said Malaysia wished the US well and hoped it would continue to prosper so Malaysia too can prosper.

"What we would like to see in the smart partnership is both prosper and if the US economy goes down, without a doubt the Malaysia will suffer because we produce practically all the the microchips needed for the US industries."

In the afternoon session, World Trade Organisation director-general elect and Thai Deputy Prime Minister Dr Supachai Panitchpakdi told participants his support for Malaysia's stance in implementation of selective capital control led to the withdrawal of the US backing for his director-generalship.

He said the primary objective of Asian nations is to bring back confidence, something that a platform such as Smart Partnership, which is what the LID is all about.

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