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Tiny step for Apec, giant step for KL

POLES apart indeed. The manner in which Second Finance Minister Datuk Mustapa Mohamed describes the gap between the crisis-hit countries and the industrialised economies, on the need to regulate currency trading, shows that the North-South divide has never been bridged. Any reform of the global financial system will remain insignificant without efforts to curtail the influence of people who can meddle with currency rates. It's like giving with one hand and taking back more with the other. Still, Malaysia should not feel too dissatisfied with the outcome of the Asia Pacific Economic Cooperation (Apec) finance ministers meeting in Langkawi on Sunday. The ministers, including those from the US and the other Group of Seven (G-7) industrialised countries, have at least agreed to some reforms in the international financial system to regulate the volatile short-term inflow of funds. A year or so ago, they would not even listen. Instead, when Prime Minister Datuk Seri Dr Mahathir Mohamad went around exposing the role which the high-leveraged hedge funds and currency speculators had played in the Asian crises, he was ridiculed, belittled and condemned. At least half of Malaysia's arguments have now been accepted by the world financiers. Certainly, we can wait a little while longer until they come round to seeing things from the correct perspective,

In the meantime, there's a lot of work to be done by Apec to ensure that similar problems do not happen in other countries and regions. There is also a need to ensure that the recovery in Asian economies hit by the two-year crisis is not hindered by the tardiness of the international community in taking the necessary measures, such as reforming the global financial architecture. One encouraging development that the Apec finance ministers' meeting in Langkawi brought about is the cohesion in approach on the part of Asian countries. Japan, China and Taiwan, it seems, were strongly behind Malaysia in trying to push for regulations to be imposed on currency traders. This is a healthy trend within Apec itself. Only earlier this decade, when the US was pressing hard for greater liberalisation on the part of developing members in the name of a so-called level playing ground, Malaysia found itself alone in going against the great American tide. This time around, it has found some support. It is this support that the Government must capitalise upon in order to pursue its agenda to discipline currency trading so as to ensure that decades of hard work do not go down the drain in a matter of months. Just because Britain and Italy survived the attacks on their currencies earlier this decade, it does not mean that countries like Thailand or Indonesia would automatically do as well as they did. Mexico and other Latin American countries have had their currencies attacked before and at one time or another, even economies that are recognised as fundamentally strong, such as Hong Kong and Taiwan, have reeled under the relentless offensive of currency traders. Just look at where the Russian economy is today.

Currency trading may never touch the lives of Americans or the French perhaps, but indirectly they still affect their livelihood. Sooner or later, the fact that Malaysia and other crises-hit countries are buying or importing less will bring the poles of understanding closer. The fact is that the kind of "stability" that currency traders produce is the profits they make out of other people's sweat and blood. There is little to choose

between the activities of currency traders and the negative effects of short-term capital. The G-7 countries within Apec must be persuaded to recognise the facts of the matter. Protecting the currency traders, who are mostly based in their countries, is not like harbouring terrorists. But based on the worst-case scenario that could happen, it may as well be. In South-East Asia, more than 20 million people have lost their sources of income because of the economic and financial crises that befell their economies. Indeed, if a lack of transparency and corrupt practices were the cause of these economies' downfall, what does one call the secrecy in the way currency traders do things and the socio-economic corruption that they brought on other countries and peoples?

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