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An unregulated global market knocks Soros out

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CURRENCY and rogue speculator George Soros had called Prime Minister Datuk Seri Dr Mahathir Mohamad "a menace to his own country" for pointing out the key role currency speculators played in the financial crisis of 1997.

Dr Mahathir was also called a "lunatic" and someone who did not understand economics and the financial markets.

At the same time, the unorthodox policies adopted by Malaysia did not go down well with currency speculators such as Soros or the international community and multilateral lending organisations such as the International Monetary Fund (IMF).

The Malaysian remedy may not be conventional wisdom but it saved the country much pain and agony suffered by countries that adopted the conventional "one size fits all" and "cookie cutter policies" in return for assistance from the IMF.

Soros, whom Dr Mahathir called a "moron", had predicted that Malaysia would be brought to its knees with the unorthodox policies and that market forces should be allowed to "run free".

Soros and others like him are not concerned about the plight of people and human beings - just making money. According to the Financial Times, Soros admits to being ruthless mainly because he dealt with abstractions - numbers on a screen.

Malaysian policies, which were severely criticised, were designed to ensure that the people, and especially the poor, did not suffer unduly or lose their jobs and livelihood. The results of the unorthodox policies are there for all to see.

However for Soros, the very same "numbers on the screen" and free market forces have now dealt a severe blow to his investments, forcing him to withdraw from the market which he now describes as being "too volatile".

"Instead of acting like a pendulum, financial markets have recently acted like a wrecking ball knocking over one country after another," Soros testified to Congress.

It is the same Soros and rogue speculator who once brought the Bank of England to its knees and reaped STG1 billion in the process. He also speculated in the currencies of a number of countries, including poor developing countries, causing untold misery to millions of innocent children, women, old and the weak.

Almost two years since the imposition of the "unorthodox" policies, the situation is vastly different from what had been "predicted and forecast" for Malaysia.

The Malaysian economy is up and running: the first quarter Gross Domestic Product (GDP) is growing at 11.7 per cent, foreign reserves of US\$33.4 billion are sufficient for five months of retained imports, inflation is low, consumer confidence is on the rise, the manufacturing sector is humming and the banks and corporate sector are on the mend.

Soros, on the other hand, is out of global market speculation and wants to manage his investments "in a more conservative manner". The assets of his two funds were slashed in a matter of weeks. His Quota Fund shed 33 per cent while his flagship Quantum Fund was down 32 per cent in March and the first two weeks of April this year.

All told, the two funds are estimated to have been reduced by US\$5 billion in just one month. The numbers on the screen have come back to haunt him. In 1998, Soros is said to have presided over assets worth more

than US\$20 billion.

The battered Quantum Fund is to be renamed Quantum Endowment Fund and Duncan Hennes, the chief executive officer, will oversee its risk management. Many of his managers have, meanwhile, left to set up their own businesses or funds.

While Soros's "reserves" have been eroded, Malaysia's foreign reserves have risen from a low of US\$20.2 billion at the end of August 1998 to more than US\$33 billion at present.

The Times of India in an article titled "Mahathir runs ringgits around Soros" says Dr Mahathir has not only worsted Soros but also discredited the doomsayers who feared for Malaysia's future because of the Prime Minister's go-it-alone strategy.

"What he (Dr Mahathir) did to not only pull back Malaysia from the brink but also spectacularly revive its economy in record time is replete with lessons.

"Malaysia's recovery is almost as dramatic as it is full-blooded. Today, the ringgit is once again stable, pegged at 3.80 to the dollar - it would be stronger if made convertible. And 'Dr Mahathir's vision' is the talk of the world financial community. The Czars and Cassandras are talking about a new mindset triggered by Dr Mahathir's accomplishment. In a startling reversal, the World Bank has given up its opposition to short-term capital controls.

"Malaysia is richer and Dr Mahathir the winner. Soros ... the poorer for the lessons ... Maybe it is time to look at other economic ideas of Dr Mahathir," The Times of India concludes.