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Bush should stop depicting Asia as bogeyman

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"US Treasury Secretary John Snow hammered home ...the need for Asian governments to keep their hands off their currencies and let markets decide their value," Reuters reported from Thailand last week.

The finance ministers of the 21-member Asia Pacific Economic Co-operation (Apec) meeting in Phuket in turn told Snow: "There is no single regime that suits all economies at all times".

In reply to US demands, the ministers merely noted a view expressed at the meeting that more flexible exchange-rate management, in some cases, is beneficial.

While Canada supported the US stand, other members - Mexico, Taiwan, South Korea and the Philippines insist countries should be able to decide currency policies on their own. Malaysia too has not wavered from its policy and proven its critics wrong.

The devastating results of "markets determining the value of currencies" and the currency manipulation by speculators and rogue traders are very clear and real. Asian countries that were wrecked by the handiwork of market manipulators are not about to give up the hard-earned stability, economic recovery and growth.

But the Bush Administration in the run up to the November 2004 elections is hard pressed to provide jobs to the increasing numbers who are joining the ranks of the unemployed. Some 2.7 million people have lost their jobs since George W. Bush took over as president in January 2001.

During the Reagan Administration, the adversary was Japan. For the Bush Administration, it is China. Analysts point out that with the Chinese currency fixed to the greenback at 8.277 per US dollar, Beijing has been able to ride the two-year decline in the greenback against the euro and yen.

Critics accuse China of keeping the value of its currency "artificially low" that unfairly boosts Chinese exports by making them cheaper and cut into American jobs. The lower labour costs in addition to the "cheaper" yuan are blamed for China's US\$103 billion (RM391 billion) trade surplus with the US.

But a commentary in the People's Daily noted that more than half of China's exports are produced by foreign companies.

Analysts point out that while the falling yuan made Chinese exports cheaper, the peg has also ensured that Chinese goods are not more expensive in the US.

Lower labour costs in Asia are also blamed for loss of manufacturing jobs in the US as more companies and multinationals move their operations to maximise their returns and to be close to the consumers.

President Bush, facing increased criticism at home for rising unemployment and the deteriorating situation in Iraq, says: "We expect our trading partners to treat our people fairly - our producers and workers and farmers and manufacturers".

Those in developing countries, and indeed around the world, also demand the same for their people - that their producers, workers, farmers and manufacturers be treated fairly and especially by those in the developed nations.

The increased agricultural and steel subsidies in the US for example affect producers, farmers and manufacturers in developing countries.

Malaysia which pegged the ringgit at 3.80 to the greenback has suffered

at the hands of speculators and rogue traders in 1997-1998 is not about to allow a repeat.

The peg has served the economy well, including foreign investors.

Malaysia emerged as the best economic performer in the first half of this year. The peg, which was part of the selective capital controls introduced at the height of the Asian financial crisis in 1998, introduced stability, predictability and prevented a race to the bottom in the region and helped check the severity of the contagion.

Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad in tabling the Budget in Parliament today will not be treating his people - producers, workers, farmers and manufacturers - fairly if he introduces instability and unpredictability into the domestic environment.

The priorities for Asian nations are clear. Even the Mexican Finance Minister Jose Francisco Gil Diaz agreed that Asian countries have to be careful before they open up their economies.

"You don't know what will happen if they liberalise suddenly. They are being cautious. I would do the same."

China is a major trader and its imports have helped its Asian neighbours in the face of weak demand from Europe and the US. China has acted as the engine of growth for the region. Beijing's decision to keep its exchange rate steady during the financial crisis won praise from Washington and its neighbours.

China is not about to change its currency policy. Andy Xie, chief Asia economist for Morgan Stanley in Hong Kong is reported as saying that China will not change its currency policy for the foreseeable future. Instead of adjusting the yuan, China has promised to lift various restrictions on access to foreign exchange.

Sovereign and independent nations should be free to choose what is best for them and their people.

What is good for one is not necessarily good for the other. The one-size fits all, off the shelf and cookie-cutter policies that the International Monetary Fund (IMF) and the Washington Consensus dished out as a matter of course have had devastating results.

Hoerst Kohler, IMF Managing Director, praised Malaysia for its unorthodox and self-help policies that have yielded positive results. In the end the domestic constituency is important. It is no different for other countries as it is for Washington.