

31/07/1997

Cabinet discussed plan to fight speculators

Anita Gabriel; Lokman Mansor

THE Cabinet, at its weekly meeting yesterday, may have come up with a plan of action that could help the Government counter ringgit speculators.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who chaired the meeting, said the Cabinet discussed the recent speculation on the ringgit, which he had previously identified as the work of American financier George Soros.

"We have some idea of what we can do, and we will take some action.

"We cannot tell you what kind of action, because if we do then it will be countered. We'll see what happens," he added.

Asked whether Malaysia may take action against Soros across borders, Dr Mahathir said: "What can we do? He is in America. We are not a large power. If we were we could bring our army to America, catch him, bring him back here and charge him."

On the argument that the foreign exchange market is a free market, the Prime Minister said Malaysia does not have a quarrel with market forces or a free market for people to do normal trading.

"But a person who deliberately comes in because he is rich and undermines the economy of a country, that is not freedom," he said.

Asked about US Secretary of State Madeline Albright's comment in Singapore that his comments do not represent the views of other South-East Asian countries, and that his views are expressed "rather harshly", Dr Mahathir said:

"That is her right to say. I also have a right. If she reportedly says that it is not true that one person can do what we accuse Soros of doing, but we know that in England, STG2 billion (STG1 = RM4.23) - some say more than STG2 2 billion - disappeared just like that when the value of the pound fell. That was because of Soros.

"A person who invests RM100,000 with Soros (before the speculation), now has RM300 million.

"Where did that money come from if not by robbing it from the poor? We can do business but there is a limit. We can make 10 or 15 per cent profit, but when you make hundreds of per cent of profit, that is robbery.

"I think it is illegal, as much as charging high interest rates is illegal, and trying to profiteer is illegal. This is profiteering," Dr Mahathir said.

Meanwhile, referring to the recent fluctuations of the regional currencies as "unnecessary", Economic Adviser to the Government Tun Daim Zainuddin said a free market does not quite mean that anyone can simply enter the market and destabilise the economy.

"As the Prime Minister has said, leave us alone to manage our own economy," he told reporters in Langkawi.

Daim also described it as "being more than unfair ... if people with plenty of money can come in and cause havoc, misery and in some cases bankruptcy.

"If people want to speculate, there is nothing we can do ... If nobody comes and disturb the currency in this area (Asia), everything will be stable."

Nevertheless, he added, the current situation does not seem to reveal any signs of speculation as the ringgit has recovered.

The ringgit closed at 2.6260/75 yesterday. At the height of the speculative attack, the ringgit hit a four-year low of around 2.6500.

It closed between 4.2780 and 4.2831 yesterday against the pound,

compared with Tuesday's 4.2738/13. Against the yen, it 2.2132/64 compared with Tuesday's 2.2282/26. Against the Singapore dollar, it closed between 1.7894 and 1.7917 compared with Tuesday's 1.7915/48.

Dealers said the players are still cautious on the regional currencies.

"The problems with the baht is still not settled. Thai Finance Minister Thanong Bidaya had said that Thailand would borrow from the International Monetary Fund (IMF) and Japan to boost liquidity after the baht's float.

"This is not a good thing for the region. If Thailand needs assistance from the IMF, players would assume the same for the other countries, Malaysia included," a dealer said.

Meanwhile, Seagroatt & Campbell Holdings Bhd director Datuk Khatijah Ahmad said until the ringgit stabilises, foreigners are expected to hold back from buying Malaysian stocks.

Speaking to reporters yesterday after Seagroatt & Campbell's annual general meeting, Khatijah said Bank Negara Malaysia (BNM) is expected to moderate the fluctuations of the ringgit, adding that the ringgit will recover in a few months' time.

Even though BNM may not be able to maintain high interest rates and has limited funds to fight speculators, it has certain methods of curtailing speculation on the currency.

WI Carr (Malaysia) Sdn Bhd managing director Patrick Russell was cautiously optimistic of the Malaysian stock market.

He told the same press conference until the ringgit's instability has subsided, foreign investors are expected to stay away.

In the short term, the market is expected to be relatively weak as the equity supply exceeds demand due to future initial public offerings by the Bakun hydroelectric project and certain major banks, Russell said.

However, Malaysian stocks are now cheap on the basis of its price earnings and will stage fundamentally re-assert itself.

(END)