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Chirac: Currency trading rules vital (HL)

Ahmad A. Talib; Saiful Azhar Abdullah; K. Bala
LANGKAWI, Mon. - French President Jacques Chirac said today that currency trading should be regulated to prevent anarchy in the economies of some countries, particularly the developing ones.

Chirac, who arrived here yesterday for an overnight stay, said there must be prudent rules aimed at avoiding the law of the jungle in currency trading, especially excessive transactions.

The French President's statement gave added impetus to the region's resolve for currency exchange to be regulated.

Chirac said he shared the views of Prime Minister Datuk Seri Dr Mahathir Mohamad who had consistently been demanding that a proper mechanism be put in place to ensure transparency in currency dealings so as to prevent manipulation which could destroy the economies of developing countries.

Chirac said this at a joint Press conference with Dr Mahathir at the Andaman Resort soon after both leaders met for informal, bilateral talks. A large contingent of French journalists and television crew members had accompanied Chirac who was on his way home from a visit to Vietnam.

Chirac started the Press conference by acknowledging his close rapport with Dr Mahathir with whom he had met four times in the last two years. The President said the talks in Langkawi started over dinner last night and continued this morning, describing both sessions as "interesting, pleasant and fruitful."

He said that he had spoken to International Monetary Fund managing director Michel Camdessus on the Malaysian problem brought about by the forced devaluation of the ringgit by currency traders.

Chirac said he shared Camdessus' views on the state of the Malaysian economy, especially the steps taken by the Government to address the current economic problems.

Chirac, who also discussed with Camdessus the "financial upheaval" in Southeast Asia following the currency problems, was of the view that the Malaysian economy was solid and that it was in no need of financial aid to tide it over the difficult period.

"Your economic fundamentals are well founded," he said.

Chirac added that he thought the Malaysian economy would continue to grow because of its sound fundamentals - low external debt, favourable fiscal balance and low inflation.

Camdessus was in Kuala Lumpur last Thursday for a meeting with Deputy Prime Minister Datuk Seri Anwar Ibrahim. He had given the thumbs up to the Malaysian economy, especially the steps taken to address its balance of payment problems.

Camdessus had also acknowledged the solid foundation of the Malaysian economy, saying that he saw no possibility of Malaysia seeking financial assistance to overcome its problems.

When asked by a French journalist whether his views on the need to have some form of control in currency dealings meant that he was in favour of restrictions on capital flows, Chirac said:

"I'm not saying that I'm against free capital flows. I'm all for it. But this is different from currency speculation. Excessive speculation by some currency traders may have a negative impact on economies, especially those in the developing regions.

"Freedom of movement of capital is accepted by everyone adopting the free market system but there must be some prudent rules in managing this

business.

"The Malaysian proposal must be studied in detail as I believe there are merits in it.

"The action by the traders are at the expense of not just developing countries but at the expense of poor people too, and I am against this, just like Dr Mahathir."

Chirac, looking very relaxed after the talks, said both he and Dr Mahathir shared the same views on globalisation though there might be negative impact in some social and financial aspects.

He said: "We need the positive aspects of globalisation but there is need to avoid negative implications from the social, cultural and financial aspects.

"We must avoid negative ones like excessive speculation by currency traders."

Chirac also commended Dr Mahathir for his chairmanship of the G15 summit earlier this month.

The President spoke of the need for closer links between the industrialised countries in the G7 group and the developing countries under the G15 framework.

Chirac said he agreed with Dr Mahathir's views for more concrete and meaningful dialogues between the G7 and the G15. In fact, Chirac felt that there was a need for countries in Southeast Asia to have their views represented at future G7 meetings even though Japan was supposed to be a spokesman for Asia.

He said this would be useful in the light of the financial problems brought about by the excessive currency dealings in recent months.

Asked how the G7 and G15 could work on this, Chirac said a mechanism needed to be devised so that both entities could forge "active participation" in future deliberations.

The rest of Asia had on numerous occasions highlighted their dismay at Japan's inadequate representation of Asia's problems at G7 summits. Japan, an industrialised country, was often seen as unable to highlight the problems of developing countries in Asia because of its different focus and emphasis vis-a-vis rich countries in the G7.

On bilateral matters, both leaders noted the need to further strengthen economic co-operation. Chirac said while political relations remained excellent, economic ties could be further strengthened.

There were 235 French companies operating in Malaysia, Chirac said, adding that Malaysia's involvement in the automotive industry had been very encouraging, and had received support and participation from French interests.

Chirac said: "We need to build on this Malaysian-French co-operation and look into more joint ventures in the social and military fields."

Two areas he highlighted in which future collaboration could take place were the fields of information technology and education.

At the bilateral meeting, both leaders also discussed international issues, especially the situation in Bosnia-Herzegovina where both France and Malaysia have sent troops to maintain peace and the Israel-Palestine peace process.

The two leaders discussed the development in Cambodia and they both agreed that the removal of Co-Prime Minister Norodom Ranariddh was an internal matter, adding that they hoped that enduring peace and stability would be firmly re-established.

Dr Mahathir and Chirac had a dinner meeting last night followed by bilateral talks at the Andaman Resort in Datai.

Malaysia was also represented at the two-hour meeting by Foreign Minister Datuk Abdullah Ahmad Badawi, Special Envoy Tan Sri Ahmad Kamil

Jaafar and Petronas president Tan Sri Hassan Merican.

Accompanying Chirac at the talks were the French Ambassador to Malaysia, Edouard Braine, Diplomatic Counsellor to the President Jean David Levitte, head of protocol Frederic Grasset, Undersecretary Asean department in the Ministry of Foreign Affairs Franscois Dopffer, director of external economic relations, Ministry of Economy, Finance and Industry Jacques de Lajugie and Special Envoy to the President for Franco-Malaysian Relations Jean Claude Paye.

Before flying off in the afternoon, Chirac had an hour-long meeting with Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim.

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