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Currency market must be transparent (HL)

Zainul Arifin in Santiago, Chile

CURRENCY trading, if it has to be done, must be transparent, with rules and regulations governing it much like those for commodities and stocks and shares.

Prime Minister Datuk Seri Dr Mahathir Mohamad said what was most important was that currency trading would need a proper market of its own.

The current system, being vague and opaque in nature, is susceptible to abuses that could ultimately undermine economies.

Dr Mahathir said: "If you want to trade in shares, there is a share market. If you want to trade in commodities, there is a commodities market.

"But when you trade in currencies there is no specific market. You don't even know where they are trading, how (the currencies) are being traded, how much money is being traded, and who is involved in the trading."

The above, he argued, would be needed to ensure that the recent crisis involving South East Asian currencies did not recur.

Dr Mahathir said this at a Press conference for Malaysian, Chilean and foreign journalists at the end of the second day of his three-day visit here.

The crisis has resulted in the currencies of countries like Malaysia experiencing de facto devaluations against the US dollar over the past three months.

Responding to questions, Dr Mahathir repeatedly stressed that he was not opposed to an open market but would like nations of the world to be able to defend themselves against market speculators and manipulators.

The Prime Minister said: "We need to have an open trading system. Have a proper market place, have proper rules, regulations and laws, register the traders, disclose the amount of money that they have and trade. That way there will be no manipulation."

Responding to another question, he said while an open financial system was desirable, it could not be totally open. There must be safeguards against abuses, or rogue traders keen on manipulating currencies for profit would not be too far away.

"If we lack controls we may allow rogues who may rob you... in any business you keep out the crooks."

But Dr Mahathir said the crisis nevertheless happened because currency traders saw an opportunity to make money.

Despite International Monetary Fund managing director Michel Camdessus' endorsement, fund managers in the same month saw the Malaysians economy to be weak and en route to collapse (See accompanying report on P2).

They said that the economy was not well managed and would collapse, which the Prime Minister said was merely an excuse.

When they began unloading the ringgit and Malaysian shares, a move akin to pulling the rug from under one's feet, they had in fact fulfilled their earlier predictions.

Dr Mahathir said currency manipulators normally targeted countries that were reasonably rich, but not rich enough to be able to retaliate.

"You don't, for example, manipulate the currency of one of those Pacific island nations which has a population of 20,000."

The Prime Minister said he was now making a list of countries that could be the target of manipulators, and once it was completed, he would forward it to the "proper people". However, he did not elaborate, adding only that

there were a number of countries that could be harmed by the manipulators.

Chile, he said, with its strong economic growth was a prime candidate for manipulation.

Chilean president Eduardo Frei Ruiz-Tagle, in his speech on Monday when officiating the start of redevelopment work at a rail yard near here, agreed that developing countries needed to co-operate and work against such manipulations.

For the immediate future, Malaysia would have to do all it could to undo the damage done in the last three months, where the ringgit depreciated and the stock market fell.

"We did it before, and we think we can do it again," Dr Mahathir said.

The bearish financial markets have also dealt blows to the local economy, pushing it back to levels which have not been experienced for the past 15 years. For example, income per capita which had been US\$5,000 over the past few months, was now down to US\$3,600.

Dr Mahathir was also asked to comment on the recent downgrading of Malaysia by international rating agency Standard and Poor's which now rated the country as "negative" from "positive."

"Naturally their rating is in accordance with their perceptions. We have no way of rejecting or qualifying their rating," he said, but added that there were others who had a different perception of the country.

Investments had been made even when Malaysia had been rated a "bad risk".

Dr Mahathir said the country could not afford to impose measures to curb manipulation of the ringgit as well as the stock market. If it did, it could see investors dumping local shares or selling ringgit, he added.

Dr Mahathir said the country could also be punished for speaking openly about the crisis affecting it.

"We are not supposed to speak freely. We must not say things that they don't like. If you do, then your currency will go down. I said something they didn't like in Hong Kong (during the IMF/World Bank meeting), the ringgit went down. I said something they didn't like when I was in KL, the currency went down. I said something they liked, and the currency went up."

Dr Mahathir said the lower ringgit and the bearish stock market could result in a lower growth rate this year for Malaysia, which had been projected at 8.2 per cent at the beginning of the year.

The lower growth rate could linger on unless there existed a mechanism to monitor currency trading and eliminate abuses by manipulators.

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