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DPM: Absolutely no change in forex rules, regulations

Anita Gabriel in Hong Kong

HONG KONG, Sun: There is "absolutely no change" in the rules and regulations in foreign exchange trading in Malaysia, Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim said.

The Government, he also said, is committed to the liberalisation of the financial services sector.

Clarifying a report in the South China Sunday Morning Post today which quoted Datuk Seri Dr Mahathir Mohamad as saying that Malaysia would limit forex trading to financing of trade, Anwar said the Prime Minister meant to emphasise the urgent need to study the adverse negative impact excessive speculation had on currencies.

Anwar said Malaysia was suggesting that the International Monetary Fund (IMF) be used as a forum to tackle the issue and a study be conducted to introduce necessary measures.

He spoke to reporters on arrival here today for the annual IMF/World Bank meetings, which start Tuesday.

Asked if the report would have an impact on the Kuala Lumpur Stock Exchange tomorrow, Anwar stressed that "there is no basis to suggest that the rules and regulations in forex trading will be changed".

"I have just spoken to the Prime Minister (on the phone) and sought his clarification on this," he added.

Anwar reiterated that Malaysia stands by its view that speculative currency trading is "immoral" as mentioned by Dr Mahathir in his speech when he addressed a gathering of 500 bankers and foreign fund managers at a seminar organised by IMF/World Bank on Saturday.

In the interview published in the Hong Kong daily, Dr Mahathir said recent events in financial markets meant there had to be a re-examination in Asia-Pacific Economic Cooperation nations and the World Trade Organisation (WTO).

"Our banks and financial institutions are not strong enough to withstand the huge foreign institutions. We have to re-examine every aspect in details before we can go forward. I'm not going to give up. We can turn around the economy. We will map out our strategy.

"Perhaps we are in a better position than a lot of other countries. I know we are up against these people, because they like to say "I told you so". They were telling us the economy was overheating and should slow down. Then they did this. We would not have slowed down but for this."

Dr Mahathir said Malaysia backed the closer integration of world economy and the growth in trade. "We can have globalisation but it cannot be anarchic. It cannot be devoid of rules and regulation. Otherwise people will run amok."

Anwar was also asked to clarify Malaysia's stand on liberalisation, to which he said the Malaysian Government "has committed itself to the process of liberalisation".

"The position we have taken is with regards to future negotiations with the WTO. We have stated clearly that we will only proceed with the liberalisation on the condition that there is an effective guidelines and mechanism to protect emerging countries from unscrupulous speculators."

Anwar was also asked to comment on American financier George Soros' comments on Dr Mahathir and Malaysia at a IMF/ World Bank seminar here. In his speech, Soros - the man Dr Mahathir identified as the "rogue speculator" behind South-East Asia's currency turmoil - said the Prime

Minister was using him as a scapegoat to cover Malaysia's own failures.

"Soros has definitely missed the point. This is not an effort to cover the weaknesses in the Malaysian economy and political system," he said, stressing that it cannot be denied that the country is facing a major challenge from unscrupulous currency and stock market traders.

He also referred to an article written by Soros in a US-based monthly magazine called 'Atlantic' where Soros had spoken of unethical and immoral behaviour and market imperfections.

"Why then does he forget this article when he deals with currency? You mean to say that it can be defended as a moral activity? I think we should confine ourselves to this specific issue rather than digress," he added.

Later, Soros told a press conference: "(Dr Mahathir's) accusation about our activities, my fund's activities, has no basis. In fact, because we have not been a major factor in the Malaysian market, we have not sold any ringgit ... preceding the crisis or the period from April to August.

"In fact, we were buyers but obviously our position was not long enough to effect the market or otherwise the ringgit would not have gone down as much as it had."

"... Unfortunately anything I say here won't reach the local audience because the local media is controlled by Dr Mahathir," he said.

Soros failed to mention to the packed news conference, however, that his interview with the New Straits Times at the height of the currency crisis was indeed published. A press statement issued on his behalf to deny his involvement in currency speculation of South-East Asia was also published by all the major newspapers in Malaysia.

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