

29/11/1997

Decision on currency trading in May

DATUK Seri Dr Mahathir Mohamad said the International Monetary Fund would decide on regulating currency trading following its meeting in May, after having heard the views of Asean, the G15 and Apec.

Malaysia had put up a strong case against currency trading, having argued that it was the cause of the economic problems faced by countries in Southeast, East Asia and elsewhere, due to its unfettered nature.

"It is no good for us to say currency trading should be regulated unless we have some ideas about how to do it," the Prime Minister told Nikkei and TV Tokyo Channel 12 yesterday.

Dr Mahathir said he had already presented Malaysia's arguments to Apec leaders who agreed with him that currency trading was a problem but those whose countries were bases for currency trading say it could not be controlled.

He said: "This is too big. That is their response. We cannot control it, they say. Of course at the same time they say we must be open but in the case of currency trading they say they do not know how to control it."

In the newly perceived globalised economy, countries were told everything must be transparent, particularly financial matters like banking functions, so that people would know what was happening.

"My proposal is that since this is trade - and they say it is 20 times bigger than the present world trade - then it should be placed under the World Trade Organisation."

As for the proposed regulations, these would only be effective if under WTO everybody complied and all have the necessary legislations.

For example, all countries must register and control their banking and by so doing would know the extent of their banks' liquidity.

Under laws to be legislated by all countries, currency traders must be registered just as stock brokers and banks are registered.

Currency trading must be required to be conducted at fixed places and even if it was computerised, there must be a central registry like in other trading such as commodity and stocks. All these operated from registered premises.

The positions at any one time - like who was buying and who was selling - must be available to the public. And then there would have to be some international inspectors.

"We can accept that the IMF, for example, is the body to oversee currency trading.

All countries under the WTO, when it is agreed, must legislate the same law with regard to currency trading.

"So there is no way they can go elsewhere to do their currency trading.

And action can be taken against countries not obeying the rules. We can take action against currency trading."

He said those who talk of currency trading as something that was impossible to control were actually condoning it. And by so doing they were contradicting themselves by allowing currency trading to be hidden - not transparent.

"What is the good of controlling only a small part of world trade when 95 per cent which is made up of currency trading is not controlled.

"The purpose of world trade is in order to enhance trade and create wealth for the whole world and everybody would benefit.

"But when you say 95 per cent of that trade should not be controlled,

then of course the WTO is not really controlling anything."
(END)