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Frei backs call for mechanism to safeguard markets

SANTIAGO, Wed: Chilean President Eduardo Frei Ruiz-Tagle supports Malaysia's call for a mechanism to govern currency trading to safeguard the financial markets of emerging economies.

Fully aware of the dangers of excessive manipulation and speculation to an open emerging economy, Frei echoed Prime Minister Datuk Seri Dr Mahathir Mohamad's opinion that such a mechanism "would not be out of the ordinary" as there are already international treaties and agreements governing international trade of goods and services.

Speaking at the opening of the 12th general meeting of the Pacific Economic Cooperation Council here yesterday, he said such an agreement could be in line with international treaties like the World Trade Organisation or its predecessor, the General Agreement on Tariff and Trade.

Chile, as one of the fastest growing open economies in Latin America, fits the criteria of countries whose currencies were susceptible to manipulations by foreign exchange traders. It has just registered its 13th year of uninterrupted growth of more than 7 per cent per year.

Frei also expressed sympathy for the currency-related crisis hitting most of South-East Asian economies in the last few months.

He said speculative short-term funds, or hot money, had destabilising effects on the economy, and could unravel the benefit of long-term investments.

There was no reason why trading of a country's currency should jeopardise the economy of a country, he added.

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