

04/11/1997

G-15 leaders join Dr M in calling for fair rules (HL)

Ahmad A. Talib

KUALA LUMPUR, Mon. - Prime Minister Datuk Seri Dr Mahathir Mohamad was today joined by several G-15 leaders in demanding that regulations be imposed on currency trading besides calling for fair rules to be placed in the world market.

Dr Mahathir highlighted the currency issue in his address at the opening of the G-15 Summit at the Palace of the Golden Horses. Other leaders spoke immediately after Dr Mahathir, who is summit chairman.

Using the forced devaluation of currencies as an example, Dr Mahathir said developing countries could find themselves in a disadvantaged and helpless position unless fair rules were drawn up in the market place.

The Prime Minister said developing countries could not afford to be complacent in today's fast globalising world. As has already been seen, the currency devaluation is already a serious denial of the rights of independent nations, he said.

The sentiment was shared by leaders attending the summit when they issued a special one-page statement at the close of their opening round of talks, expressing deep concern at recent developments in the international financial and capital markets.

They noted that several countries including members of the group had come under serious pressure from speculative attacks against their currencies regardless of their strong economic fundamentals.

Indonesian President Suharto, whose country has been among the worst hit by the currency crisis had, in his speech earlier, urged developing countries to co-operate to find an immediate and effective means to stabilise the money market.

"The sharp fluctuations in international financial flow and currency trading have crushed the economic and social achievements of developing countries," he said.

Peruvian President Alberto Fujimori said there was a need to create more international mechanisms in the wake of the recent financial and stock market crisis for developing countries to effectively deal with the problem of monetary instability.

Speaking in Spanish, he said events occurring in the capital market recently had illustrated the growing interdependence of world economies. G-15 leaders are expected to discuss the subject at length and issue a special statement confirming their position on the matter.

Egyptian President Hosni Mubarak called for a meeting of G-15 central bank governors and financial market authorities to discuss ways of managing the difficulties arising from financial services liberalisation and other economic activities.

He said recent events in Asia and Latin America had shown that despite gains made by developing countries through free trade policies, unstable financial markets and rapid capital flow could cause problems to G-15 economies that were beyond their control.

The leaders' sentiments reflected the prominence given by the leaders to the issue. In the last couple of days, Foreign and Economic Ministers from the group have highlighted the serious problems affecting developing countries following the deliberate devaluation of their currencies by currency traders.

Against this background, Dr Mahathir said developing countries needed to set their sights on new horizons, venture into non-traditional markets and

forge multi-faceted links and partnerships with each other.

Six heads of government and nine representatives of heads of government are attending the three-day summit. Kenya is attending for the first time.

Dr Mahathir said: "A world trading system cannot rely entirely on market forces. It is time that we draw up fair rules for the market place.

"If we don't, then the fight for independence will have to begin all over again for the present market rules will surely result in a new imperialism more noxious and debilitating than the old."

Reiterating his belief that the present system of currency trading was unethical and unfair to the countries under attack, Dr Mahathir said: "If we are going to accept globalisation then there must be a fair system of trading, whether it be in goods and services, shares or currencies.

"Market forces by themselves cannot determine that the rules and regulations will be fair to all. Since the beginning of time, market forces by themselves have been exploitative.

"Thus a few bottles of whisky was the price paid for Manhattan Island and glass beads were traded for valuable goods and treasures belonging to the indigenous people, the simple and trusting natives."

The Prime Minister said the G-15 should continue to maintain direct, effective and regular consultations between developed and developing countries on global macroeconomic policies.

"Without clear definition as to what is meant by globalisation we may find ourselves disadvantaged and helpless, as it is often quite impossible to make corrections after the facts have been created.

"Again, I would like to refer to currency trading in which we had no say and we now find it almost impossible to correct the system even when it is clearly to our disadvantage.

"Devaluation impoverishes as it reduces the purchasing power of the country concerned, as well as the incomes of the people, rich and poor alike. It leads to inflation and economic regression. It negates many years of hard work and sacrifice."

Elaborating on the currency problem which hit Malaysia and several other Southeast Asian economies in recent months, the Prime Minister said the international institutions in which the world placed its trust claimed that they were powerless to act against the currency traders.

Dr Mahathir said: "Since the funds at the disposal of these traders run into billions of dollars, they have more money to play with than the reserves of most developing nations.

"We have now seen how even the strongest currencies of the countries with the strongest economies can be made to depreciate. The oft-repeated loss of confidence is nothing more than an excuse to launch an attack and make profits.

"The target must be the currency of the countries with a degree of prosperity. It is significant that poor countries have never incurred a loss of confidence on the part of these traders.

"As a result, when attacks are mounted on the currency of a prosperous country, it actually depreciates against the currencies of poorer countries. If indeed loss of confidence or bad fundamentals are the cause of currency depreciation, then surely it is the currency of the poor countries which should depreciate.

"That they do not simply means that the depreciation is artificially contrived."

(END)