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Institute some form of regulation to stop currency raids

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IN his usual frank manner, Prime Minister Datuk Seri Dr Mahathir Mohamad has voiced his opinion boldly and correctly on the recent currency speculation and its consequent negative impact on the economies of Asean.

While many Western countries, economists and so-called analysts may pretend that the currency turmoil faced by the affected countries are the result of normal market forces, it would not be difficult to trace the origin of this chaos to a few "rogue speculators" and "criminals" as described by Dr Mahathir.

It is time that some form of discipline was enforced by responsible world bodies such as the International Monetary Fund on the world currency markets. Otherwise, a few wealthy groups could hold countries to ransom through their bullying tactics and sheer financial might.

We have read of Robin Hood robbing the rich to help the poor. But the "criminal" speculators are attempting to destroy small and developing economies. Ironically, some of them are philanthropists.

If these philanthropists refrain from such destructive activities, they would have contributed more to society in general than the millions they have donated to charitable causes.

Although deregulation is the fashion of the day, where necessary authorities all over the world should exercise regulation.

A good example is the stock market where, to avoid manipulation by speculators, investors have to make necessary disclosures for acquiring shares beyond a certain percentage.

There are also rigid rules and laws to protect investors from manipulation in situations such as mergers and takeovers.

Stock exchanges are easily controlled as they fall under the jurisdiction of individual countries. International currency markets, however, require international regulation.

It is interesting to recall that even in regulating the so-called market forces, many countries are guided by their own interests. For example, the dawn raid by Permodalan Nasional Berhad on the London Stock Exchange which saw it gain control of Guthrie led to the LSE changing its rules. The London Metal Exchange rules changed when tin prices went up in the 1980s.

Regulation also comes into play promptly when foreigners intend to purchase strategic stakes in some industries which are considered sensitive. Purchase of equity beyond a certain limit in the airlines and defence industries in the US must require clearance from US regulators.

Even the ongoing proposed merger between Boeing and McDonnell Douglas in the US needs the blessings of the European Union.

When there is stringent regulation required for takeover of companies, it makes one wonder why no regulation should be put in place for the currency speculators when the entire economies of countries are in jeopardy because of such action.

It is, therefore, the urgent duty of the global financial community to act immediately to put an end to such unhealthy speculation which could destroy developing countries economically.

Dr Mahathir is absolutely right in calling for a stop to this criminal activity.

It is because of this destructive nature that such speculative activities are forbidden under Islamic banking.