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Locals involved in forex attacks: PM (HL)

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SOME local parties were involved in the attack against the ringgit by making available the currency for the speculators, Datuk Seri Dr Mahathir Mohamad told reporters in Langkawi yesterday.

Asked if the local parties had joined in the speculative attack, he said: "They (probably) didn't... they see only profit for themselves. We hope they don't get involved in this thing because this is damaging to our economy," he said.

On whether these parties included banks, Dr Mahathir said it is not yet clear.

His deputy and Finance Minister Datuk Seri Anwar Ibrahim, meanwhile, said the Treasury has held discussions with Bank Negara about coming up with effective measures to fight the speculators. He stressed the importance of adopting "sophisticated measures" but declined to elaborate.

Dr Mahathir and Anwar, both in Langkawi yesterday for the Langkawi International Dialogue 1997 (LID '97), were asked to comment on the latest developments on the foreign exchange front.

The ringgit had fallen to an almost four-year low when it hit 2.65 to the US dollar following repeated bouts of speculative attacks since the Thai central bank opted for a "managed float" of the Thai baht on July 2. No Asean currency, including the Singapore dollar, has been spared the selling pressure.

Last week, Dr Mahathir said American financier George Soros was behind the speculative assault on Asean currencies. In response, the US said the foreign exchange market's movements could not be the work of an individual and that they were probably due to fundamental weaknesses in the economies.

However, Dr Mahathir said yesterday there is evidence that Soros was indeed involved. "He admitted that he did this thing, but said it was not because of Myanmar. That is what he said. There is definite evidence, which we cannot disclose. There is no doubt that he did this thing."

The Prime Minister said Soros' aides have admitted that he opposes Asean's decision to accept Myanmar as a member. The timing of the speculative attacks and Myanmar's admission into Asean is too much of a coincidence, he added.

"He (Soros) says his charitable work and this thing (attack on Asean currencies) are not connected, but it is difficult for us to see (otherwise)," he added.

"(Soros) is a great player, who deals in billions of dollars. His attacks may cause the total collapse of an economy."

Dr Mahathir said that there was also evidence that foreign parties were involved in the speculative attacks on the ringgit a few years ago.

The currency situation was discussed during his meeting with the African heads of government yesterday, he said.

Asked about a meeting he recently had with Bank Negara and the country's bankers upon his return from abroad, Dr Mahathir said he wanted to know exactly what was happening on the ground.

"I am not an expert in finance, so I need to listen to these people. We learned quite a lot about what is happening and we may think of certain things that we can do," he said.

On the suggestion that Bank Negara should intervene to support the ringgit, Dr Mahathir said it would be expensive to buy up the ringgit

under the circumstances.

"When you buy the ringgit and the ringgit depreciates, that difference is a loss, not the total amount," he added.

Dr Mahathir said because the ringgit depreciates, Malaysia's per capita income has also gone down, and the prices of imported goods go up. As a result more money flows out of the country, which aggravates Malaysia's balance of payment deficit.

Asked about the US view that the currency movements were due to market forces, he said:

"This is the problem with the so-called free marketeers. Even if it destroys you, you must be a free marketeer, because free market is the greatest.

"It is the same with fanatics. When you are fanatic, you don't go for reason. If your leader says commit suicide, the whole lot will commit suicide. This is the kind of attitude shown by some of these people. The same applies to democracy."

Anwar, meanwhile, told countries represented at the LID '97 to strengthen their economic fundamentals as it is the best defence against currency speculators.

He said participants, especially from the developing economies, are monitoring the situation very closely.

Some are keen to find out how to defend their own currencies against possible attacks, as if it could happen in Asia it could happen elsewhere, Anwar said.

The Deputy Prime Minister and Finance Minister said he stressed on the need to strengthen economic fundamentals as it would be impossible to sustain a currency's level if the fundamentals are weak, regardless of whether drastic temporary measures are implemented.

He said in view of the country's strong fundamentals Dr Mahathir has proposed that additional measures be introduced to fight off the speculators. This was the reason for the meeting between his ministry and the central bank.

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