

01 DEC 1997

MAHATHIR SAYS CURRENCY TRADING IS NOT SACRED, CALLS FOR REGULATION

KUALA LUMPUR, Dec 1 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad says currency trading is not sacred and must be regulated after having left a trail of shattered and disoriented economies from uncontrolled speculative attacks.

He warned that "currency trading demands to be regulated in the interest of everyone for otherwise, the economic damage inflicted on developing economies could spread to the developed countries as well."

In view of these dangers, he called on the World Trade Organisation (WTO) to formulate and enforce regulations to reduce the anarchy in currency trading, with developed and developing countries having a hand in drawing up these rules.

As long as they are not regulated and as long as they have trillions of dollars at their disposal, their capacity to attack and to damage economies will strike fear in the hearts not just of governments and finance ministers, but of businessmen and people, rich and poor alike, he said of the currency traders.

"...nations and others not yet visited by them (currency traders) live in fear of their attacks," he said when opening the meetings of Finance Ministers of Asean and Asean Plus Six here today and the conference of Asean Financial Initiatives for the 21st century organised by the Asean Business Forum.

The Prime Minister said he saw no reason why currency trading should not be regulated, with rules that were fair and just, designed to create wealth and prosperity, especially when the worst from currency attacks were not over yet.

Besides this, he said it was also not logical to regulate trade in goods and services which make up only five percent of world trade and leave currency trading which was 20 times bigger unregulated and beyond the purview of those who are responsible for achieving fairness in world trade.

He suggested that while the International Monetary Fund (IMF) continued its supervisory role, it was the WTO which should formulate currency trading regulations.

"It is ridiculous that at a time when governments and all other businesses are being exhorted to be open and transparent, currency trading must be allowed to do their trading in absolute secrecy," he said.

Dr Mahathir also said that while there was no conspiracy to dominate the economy of the developing countries of East Asia, their troubles have obviously afforded an opportunity for forcing open their economies and possible domination by strong and powerful countries.

On financial aid by the IMF, he questioned what the multilateral agency had to offer in the face of currency troubles and worsening ability of countries to repay loans when its loans came with a string of conditions, foremost of which was the opening up of the financial sector of developing countries to foreign participation.

Rather than having any benefits, it most likely would end up in foreign banks eventually dominating the finances of the country concerned, he said, and quoted a news report which likened it to reducing a proud country to a beggar surrendering its sovereignty.

"We believe in globalisation and liberalisation of trade, in dismantling national laws and rules which hamper trade and cross-border flows of capital.

"But surely, liberalisation and deregulation of national entities should not result in exposure to an anarchic world ... haven't we been told to abide by the rule of law, how come the abolition of national laws should lead to absence of the rule of law in the enlarged world market?," he asked.

"Without laws, the strong and the corrupt will rule (and) will dominate ... is this what is being advocated," said Dr Mahathir.

The case for the WTO to regulate currency trading was stronger since it has created no increase in employment, no growth in business or the wealth of nations and people.

He also took to task the uncontrolled way currency traders behaved, whereby they could leverage up to 20 times or more of the funds they deposit with their bankers while the bankers could make available trillions of dollars to their clients, leading to some of these banks becoming richer than most countries of the world.

"Surely, no one can argue that the right of the currency traders to make huge profits override the well-being and the wealth of millions of people of countries and regions.

"True, the countries themselves may be at fault but without the manipulation of the currency traders, they would not be in such dire straits...impoverishing countries, wiping out decades and years of hard work of sweat, toil and tears," the Prime Minister said.

Countries affected by the currency attacks did not really deserve the misfortunes inflicted upon them by those who fiddled with currency values, he said.

In Malaysia, a 40 percent reduction in the ringgit's value is equivalent to a reduction in the per capita income from US\$5,000 to US\$3,000, which in Gross Domestic Product (GDP) terms is about US\$40 billion, while in excess of US\$100 billion was wiped off from the stock market ... "all together, we have lost US\$140 billion dollars," Dr Mahathir said.

Other South East and North East Asian countries lost more than US\$500 billion between them in terms of purchasing power of imports, he said, adding that while currency traders could have earned quite a lot, there was a huge net loss for the rest of the world now that it has lost a goodly size of their market.

It was clear that with the huge resources at their disposal, the currency traders can resort to short selling and "attack any country no matter how strong their economy may be," he said, noting that Latin American and African countries were also being attacked."

He also criticised inaccurate financial analyses of countries through constant release of unfavourable news and rumours, which created the grounds for the devaluation.

"In the absence of information to prove otherwise, their prophecy becomes self-fulfilling...from then on, the so-called herd instinct among them takes over," Dr Mahathir said. -- BERNAMA

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