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Malaysia satisfied with Apec's response to proposal: PM

Anita Gabriel in Vancouver

VANCOUVER, Tues: Malaysia is satisfied with the Apec leaders' response to its push for regulated currency trading but the members agreed that the International Monetary Fund must complete its study on the issue before any concrete steps towards this end are taken.

Prime Minister Datuk Seri Dr Mahathir Mohamad, saying that the Apec Summit was up to Malaysia's expectations, was happy that no country had dismissed the idea altogether and had in fact noted the severity of the currency turmoil which has affected most of Asia.

The currency issue eclipsed Apec's formal agenda of achieving free trade by year 2020 and 2010 and was also the dominant topic at the leaders' retreat today.

Dr Mahathir said: "While Apec recognises the seriousness of the situation, it would like IMF to carry out a study and make a decision before any proposal is taken up on regulating currency trading. That is satisfactory for Malaysia as well as other South-East Asian countries."

To a question on whether his was the lone voice calling for currency controls, Dr Mahathir said he was not alone this time as practically every other South-East Asian leader spoke on the issue and supported the IMF initiative to study the issue on how currency trading can be made less destructive.

"So, I didn't feel lonely," he quipped.

He reiterated that Malaysia is not against the free market concept but it recognises that even freedom needs to be regulated as there should not be "absolute licence for anyone to do everything".

Malaysia, he added, is merely suggesting that rules and regulations that are usually found in any society be introduced since a free market means that a country has to give up its national rules and regulations for international laws.

He said there is a contradiction here. While there is a push for countries to be more transparent, there is resistance to make the market similarly transparent.

The IMF will hold a meeting next May and prior to that several meetings will be held among Asean and Apec finance ministers to discuss the issue.

On the possible methods to control currency trading, Dr Mahathir said currency trading needs to be as transparent as any other business. The IMF can serve as a supervisory body under a system where players are registered and taxes on their activities levied.

The IMF, nevertheless, like other international bodies including the United Nations, is influenced by powerful voices and the only option for small countries is to shout to be heard, he said.

"Actually, at this meeting, I was given the opportunity to talk for a long time on Malaysia's currency devaluation and I found that all Asean leaders are supportive of the need to study the role of currency trading in the economy."

He was pleased there was no attempt by any one country to dominate the discussions.

To a another question, he said it is agreed that currency movement is largely not due to fundamentals as proven by the fact that countries with strong fundamentals have also been subjected to such attacks.

"There was nothing wrong at all with the management of our economy which was doing fine until these people (currency traders) came in... they want

to punish us," he added.

On the Manila arrangement which made no mention of the specific size of the so-called standby facility, Dr Mahathir said, first it was supposed to be US\$100 billion (US\$1 = RM3.49), then US\$60 billion, and now it is totally unclear how much.

"Even the way it should be used or how it operates is not clear. It is vague," he said.

Dr Mahathir also said he is not sure whether the worst is over as things remain unpredictable given the fact that there are people with enough money to leave a trail of shattered economies wherever they go.

He also said that the Asian situation is different from that which Mexico found itself earlier.

As Mexico is part of Nafta and a major trading partner of the US, the US had immediately come to its rescue. But while Asia may be one of the US' big trading partners, it is far away "and like they say `out of sight, out of mind'".

He said Malaysia, which took two decades to raise its per capita income from US\$3,000 to US\$5,000, may now need longer than that to recover from the currency crisis.

As for liberalisation of the financial services sector under the World Trade Organisation, Dr Mahathir said the ceiling on foreign equity holdings in Malaysian insurance companies has already been raised from the previous 49 per cent to 51 per cent and this is adequate.

Foreign companies want the option of 100 per cent ownership.

On the situation in Japan and whether it will impair Japan's ability to contribute and assist Asian countries plagued by the currency crisis, Dr Mahathir said Japan seems to be capable of handling the problem.

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