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Mahathir-Currency

MALAYSIA TO LIMIT CURRENCY TRADING, SAYS MAHATHIR

By: Azman Ujang

HONG KONG, Sept 21 (Bernama) -- Malaysia will limit foreign exchange dealing to the financing of trade, Prime Minister Datuk Seri Dr Mahathir Mohamad announced here soon after calling for currency speculation to be made illegal.

"We have decided it cannot go on because there is no benefit to it. Why should we allow something which is damaging to us," he asked in an exclusive interview with today's Sunday Morning Post, the Sunday edition of the South China Morning Post.

"Currency trading will be limited to financing trade," said the prime minister as a quick follow-up to his plea at a World Bank seminar here yesterday in which he called for a ban on currency speculation.

In the interview which the newspaper published as its Page One lead story, Dr Mahathir said that recent events in financial markets meant there must be a re-examination of financial liberalisation in Asia-Pacific Economic Cooperation (Apec) nations and the World Trade Organisation (WTO).

"Our banks and financial institutions are not strong enough to withstand the huge foreign institutions. If our banks lose money then we would lose our banks," he said.

The prime minister also referred to strong criticisms and negative reporting about Malaysia especially in international news magazines following the recent depreciation of the ringgit and plunge in stock prices.

In his usual combative mood, Dr Mahathir was quoted as saying: "I'm not going to give up. We can turn around the economy.

"We have to re-examine every aspect in detail before we can go forward. We will map out our strategy," he said.

In his keynote speech at the World Bank seminar yesterday in conjunction with the annual meetings here of the bank and the International Monetary Fund (IMF), Dr Mahathir said he was calling for the currency speculation to be outlawed because society must be protected from unscrupulous profiteers who made killings on the foreign exchange markets at the expense of developing countries like Malaysia.

"I know I am taking a big risk to suggest it but I am saying that currency trading is unnecessary, unproductive and totally immoral," he said.

Dr Mahathir said any liberalisation of Malaysia's financial sector would have to undergo "a complete review" following the recent attacks on the ringgit.

The ringgit has depreciated by 20 per cent against the US dollar since the crisis sparked off by the devaluation of the Thai bath in July, leading to a crash in stock prices.

He said reform commitments under regional trade forums like Apec and the WTO would be included in the review because of what happened in the financial markets.

Dr Mahathir said that while the IMF's intentions were good, the methods employed were not often very helpful.

"That's why we have stopped borrowing from the IMF," he said.

He said he had nothing against closer integration of world economy and the growth in trade but these should not be anarchic or devoid of rules and regulations.

"If we visualise the world as a single country, then we need some

regulation, otherwise people will run amok," he added.

Asked whether he would get the support of regional countries to prevent currency speculation, he admitted that "the region is very weak".

"They are pressures to open up the markets. They are in no position to say no," he said.

It was not known if George Soros, the the US currency speculator who has been the target of Dr Mahathir's attacks during the recent turmoil on currency and stock markets in Southeast Asia, was among the 500 people present to listen to Dr Mahathir's speech yesterday.

A spokesman at the press centre of the annual World Bank and IMF meetings here told Bernama that he saw Soros shortly before the prime minister delivered his speech.

Soros however will be speaking at a similar seminar this evening and hold a news conference later, an event which has attracted the same amount of interest among the media.

Entry passes issued by the organisers to hear the Soros speech at 5.30pm were snapped up just five minutes after they were given out this morning.

Dr Mahathir, when asked by the newspaper what he would say if he met Soros, replied: "Good day and goodbye."

Reacting to Dr Mahathir's call for currency speculation to be made illegal, US Treasury Secretary Robert Rubin last night defended currency trading as an "integral part" of the world economy.

Rubin, himself a former Wall Street currency trader, said: "Let me say that currency trading in an inherent and I think a very important function in a modern global economy.

"In vast amounts it's integral to global trade in goods and services," he said.

An IMF official, when asked about it, said Dr Mahathir's comments were "thought-provoking."

The IMF acts as an international central bank to stabilise international financial markets while the World Bank provides financing to developing and poor countries for infrastructure projects. -- BERNAMA

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