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No change in forex trading regulations, says Anwar

Baidura Ahmad in Hong Kong

THERE is absolutely no change in the rules and regulations in foreign exchange trading in Malaysia and the country remains committed to further liberalisation of its financial services sector, Deputy Prime Minister Datuk Seri Anwar Ibrahim said.

Elaborating on a report in the South China Sunday Morning Post yesterday which quoted Prime Minister Datuk Seri Dr Mahathir Mohamad as saying that Malaysia was to limit forex trading to financing of trade, Anwar, who is Finance Minister, said:

"What Dr Mahathir meant was there is an urgent need to study the adverse implications due to excessive speculations on the currency.

"We would certainly urge the use of IMF as a forum to tackle this matter."

"We are suggesting that a study be conducted by the responsible authorities, such as the multilateral agencies like the IMF, to introduce measures deemed necessary."

Anwar arrived in Hong Kong yesterday with his wife, Datin Seri Dr Wan Azizah Wan Ismail, to attend the annual International Monetary Fund/World Bank meeting which starts tomorrow. He was speaking to reporters soon after his arrival.

Asked whether the Kuala Lumpur Stock Exchange was likely to react badly to the report by the Hong Kong daily, Anwar said: "No ... there is no basis in suggesting that we will change the rules and regulations in forex trading.

"I have just spoken to Dr Mahathir over the telephone and have sought his clarification."

Anwar reiterated Malaysia still stood by its view that speculative currency trading was "immoral", as mentioned by Dr Mahathir in his speech when he addressed a gathering of 500 bankers and foreign fund managers at a seminar organised by IMF/ World Bank on Saturday.

In the report, Dr Mahathir said recent events in financial markets meant there had to be a re-examination of Asia-Pacific Economic Co-operation nations and the World Trade Organisation.

"Our banks and financial institutions are not strong enough to withstand the huge foreign institutions. We have to re-examine every aspect in detail before we can go forward. I'm not going to give up. We can turn around the economy. We will map out our strategy.

"Perhaps we are in a better position than a lot of other countries. I know we are up against these people, because they like to say 'I told you so'. They were telling us the economy was overheating and should slow down. Then they did this. We would not have slowed down but for this."

Dr Mahathir said Malaysia backed the closer integration of world economy and the growth in trade.

"We can have globalisation but it cannot be anarchic. It cannot be devoid of rules and regulation. Otherwise people will run amok."

Anwar, who was also asked whether Malaysia was committed to the liberalisation of its financial sector, said: "We are committed to the liberalisation process. As it is Malaysia's currency market regime is quite liberal.

"The position that we have taken is with regards to future negotiations at the World Trade Organisation forum for the financial services sector.

"We have stated clearly that we will only proceed with liberalisation on

the condition that there is an effective guideline or mechanism to protect emerging economies from unscrupulous speculators.

"It is not a question of not committing ourselves to further liberalisation," he added.

Anwar said he had also made specific reference to that matter in Bangkok (at the Asia-Europe Finance Ministers' meeting last week), insisting that the IMF introduce guidelines supporting liberalisation as well as ensuring that it has adequate supervision for the banking sector.

Anwar said he was confident that the financial services agreement among WTO members would be settled by December as scheduled.

"You cannot expect us to surrender at this juncture, seeing what has happened in Thailand recently and its effects on the region," he added.

Anwar said he was hopeful of further liberalisation taking place in Malaysia as well in other WTO members' financial services sector because "there is no alternative to this".

On the Asian Monetary Fund, a proposed fund to be set up by Asian countries to protect the members against currency speculators, Anwar said: "We are still pursuing this and are now taking it up with the IMF.

"We have to discuss the details such as countries involved and conditions to be adopted."

Later, Anwar was asked to comment on the speech by US investor George Soros at a IMF/World Bank seminar here.

In his speech, Soros said that Dr Mahathir was using him (Soros) as a scapegoat to cover his own failure.

Anwar said: "Mr Soros certainly missed the point by saying that Dr Mahathir's accusations on currency and market speculators were an effort to cover the weaknesses of the Malaysian economy and political system.

"It cannot be denied that we are facing a major challenge from unscrupulous speculators in the currency and stock markets.

"This and the fact the crisis has a contagious effect on the region was acknowledged in Bangkok and here by the IMF."

Anwar said he recalled an article written by Soros in a US-based magazine recently in which Soros wrote about unethical and immoral behaviour and market imperfections.

"Why is it that he forgets this article when he deals with market and currency speculations? You mean to say that it can be defended as a moral activity.

"I think that we should confine ourselves to this specific issue rather than digress to others."

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