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PM: Apec must lead way in battling currency problem

Zainon Ahmad; Zainul Arifin in Vancouver

THE Asia-Pacific Economic Co-operation forum must lead the way in battling the currency problem in Asia as not only has its effect spread far and wide but it is also likely to recur if financial markets are left to their own devices.

Prime Minister Datuk Seri Dr Mahathir Mohamad said he would propose that Apec worked towards an agreement over rules and regulations to check currency tradings, where of late greed had overcome common sense.

The devaluation of several regional currencies had also made the world poorer, as in a globalised environment such as now, the impact was being felt even by those unaffected by the crisis. Exporters, for instance, would find fewer buyers for their products.

"So everybody is going to feel it ... even Wall St is not immune," he said in reference to the fall in stock markets worldwide late last month following threats to the Hong Kong dollar.

Dr Mahathir was speaking at a question-and-answer session on Sunday night with corporate leaders from 18 Apec member economies attending the Apec CEO summit here. He had earlier presented his keynote address, Government and Business: Working Together for Economic Development.

The Prime Minister said he would make his proposal on regulations in the currency market, which of late had been getting support from a number of countries, to Apec leaders when they meet today.

At the moment currency trading, unfettered by rules and regulations, accounted for 95 per cent of global trade in goods and services. Ironically, a governing body like the World Trade Organisation was set up for the remaining five per cent of global trade.

Meanwhile, currency markets continued to be shrouded in secrecy with traders and their trading practices remaining largely unknown. And yet they wielded undue influence over the economies of many nations.

A set of rules as well as a proper market, much like the ones dealing with equities and commodities, would make it more transparent and responsible, Dr Mahathir said.

Also funds for traders, augmented by margin and leverage financing, should be limited. Currency traders were said to have access to about US\$3.6 trillion (RM12.49 trillion), which Dr Mahathir said, no country in the world, much less Malaysia, could hope to match.

"We don't believe our ringgit fell weak, soft-kneed and collapsed ... somebody made it collapse," he told the several hundred chief executives attending.

Dr Mahathir said while he would like to think that the five-month-old crisis had ended, it was unlikely to be so unless the wings of the currency traders were clipped.

The latest victims to the traders was the South Korean won, which depreciated about 10 per cent, when its Government hesitated on whether it should request international aid.

Dr Mahathir was also asked what would Malaysia want to stress at next year's Apec meeting which it will host.

He said Malaysia would try to promote the idea of helping others prosper, as a prosperous neighbour would be good neighbours.

The prosper-thy-neighbour policy currently adopted by Malaysia should be expanded. Multinationals could be recruited for the implementation of the policy within Apec.

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