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Political agenda in forex attacks: PM (HL)

Kamarul Yunus in Okayama City (Japan)

OKAYAMA CITY (Japan), Mon: Prime Minister Datuk Seri Dr Mahathir Mohamad believes there is a political agenda behind the speculative attacks, which are largely initiated by one international financier, against currencies of South-East Asian countries.

"We feel that there is some other agenda, apart from making money. As you may have noticed, Asean countries are the targets... Thailand, Indonesia, Philippines and Malaysia.

"We asked ourselves if it is just speculation to make money, or is it something else? We feel there is some other agenda, especially by this particular person who is the patron of a foundation," he said, at a dialogue in commemoration of the 50th anniversary of the Okayama Keizai Doyukai, here today.

When approached later, Dr Mahathir declined to identify the person or the foundation. He however would not rule out the possibility that this foundation is against Asean's decision to admit Myanmar, and is therefore putting pressure on the currencies of the grouping's members in the hope of undermining their economies.

"Malaysia has strong economic fundamentals ... all companies, including Japanese ones, are doing well. In fact, we are doing better than most developed countries and yet there is pressure on our currency.

"Actually, many people say the ringgit is undervalued and that it should be revalued, not devalued," he added.

The Prime Minister noted that companies in Malaysia are making huge profits, sometimes much higher than even those in the developed countries.

For example, he said Petronas, the national oil corporation, almost doubled its profit last year to more than RM12 billion.

"Our national carmaker, Proton, made over RM1 billion last year. I talked to some General Motors people and they are very surprised... RM1 billion is equivalent to about US\$400 million and they say the whole of Volkswagen's operations could not make that kind of money.

"As you can see, the fundamentals in Malaysia are very good and yet there is pressure to push down the value of the ringgit," he added.

In fact, the whole episode raises the question of sovereignty, he said.

"Are we sovereign nations? If we are sovereign nations, shouldn't we be able to protect what belongs to us? Instead, we are told that we should allow for such speculative activities ... but they are teaming up to impoverish the poor countries.

"If they want to attack the British pound, by all means do so. Britain is rich. Malaysia is a poor country and it is not right for people like these to play and speculate with our currency," he added.

Dr Mahathir said it is unfortunate that this should happen to South-East Asia when it is enjoying such strong economic fundamentals although admittedly there are sometimes some political problems.

"What is most distressing is that people can push up or down your currencies simply because they have a lot of money ... this is very bad," he added.

Dr Mahathir is on a six-day working and private visit to the Okayama and Toyama prefectures which ends tomorrow.

On the foreign exchange market, the ringgit stabilised somewhat without any intervention from Bank Negara today to close at 2.6150/00 in Kuala Lumpur against the US dollar, down a shade from 2.6120/70 on Friday.

However, the Indonesian rupiah and Philippine peso came under heavy selling pressure.

The Malaysian currency touched a intra-day low of 2.6430 before rebounding on what dealers said were on profit-taking activities.

Against the Singapore dollar, it eased to 1.7862/06 from 1.7860/06, and against the yen, to 2.2598/60 from 2.2585/38.

On the money market, one-month Kuala Lumpur Interbank Offered Rate (Klibor) was fixed at 9.50 per cent, down from 10.13 per cent on Friday while three-month money fell to 9.17 per cent from 9.23 per cent.

Analysts said there is still little evidence of collaboration among Asian central banks to defend the region's currencies but the news from overseas is that they have been in constant touch with each other and may be planning something.

Central bank governors from 11 Asia-Pacific nations are gathering in Shanghai for a one-day meeting on Friday.

In Alor Star, Economic Adviser to the Government Tun Daim Zainuddin said the ringgit's weakness will not last long.

Speaking to reporters after co-chairing the Langkawi Development Authority meeting with Kedah Menteri Besar Tan Sri Sanusi Junid, he said a weaker ringgit could lead to a rise in exports, and this will help stabilise the situation.

In any case, the appreciation of the US dollar is partly due to the fact that the US economy is "doing very well", he said, adding that the measures taken by the central banks of Asian countries to monitor the situation should also improve the situation.

Declining to give details, Daim said he expects some corrective measures to be taken to enable Malaysia and some other Asian countries to overcome the currency turmoil.

On the regional front, the Indonesian rupiah sank 5.9 per cent to close at 2,650 against the greenback, breaking the previous record low of 2,503 posted on Friday.

The situation prompted the Indonesian central bank to intervene to protect the currency, dealers said.

In Manila, the Philippines central bank was reported to be in the market to defend the peso which traded at 28.00-28.60 during the day, down more than 1 per cent from Friday's close.

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