

04/11/1997

PM: It's a denial of nations' rights (HL)

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PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday described the deliberate devaluation of currencies by traders purely for profit as "a serious denial of the rights of independent nations".

In calling for a fair trading system, whether it be for goods and services, shares or currency, he said the present system of currency trading is unethical and unfair to the countries under "attack".

The rules are devised solely by the traders and for their benefit. Even international institutions have claimed to be powerless to act.

"For every dollar they deposit, the bankers allow a gearing of 20 times.

"Since the funds at the disposal of these traders run into billions of dollars, they have more money to play with than the reserves of most developing nations," he said at the opening of the seventh G-15 Summit in Kuala Lumpur yesterday.

Dr Mahathir said while currency devaluation may be caused by certain weaknesses in a country's economy, "the truth is currencies weaken only if currency traders sell them for US dollars".

These traders, he said, "make billions of dollars (from their activities) and pay absolutely no taxes to the countries they impoverish and profit from".

By repeatedly selling the targeted currency, they depress its value to a sufficiently low level before starting to buy it back so that they could deliver to the buyers to whom they had earlier sold at a higher price.

The Prime Minister said this can be done with any currency, even those of strong economies.

The oft-repeated loss of confidence is nothing more than an excuse to launch such attacks and make profits, he added.

"In fact, the target must be currencies of countries with a degree of prosperity. It is significant that poor countries never incur a loss of confidence.

"As a result when attacks are mounted on the currency of a prosperous country, it actually depreciates against that of poorer countries.

"If indeed loss of confidence or poor fundamentals are the causes of currency depreciation, then surely the currencies of the poor countries should be the ones that depreciate."

Dr Mahathir said it is time that more equitable rules are drawn up for the global marketplace. "If we don't, then the fight for independence will have to begin all over again as the present market rules will surely result in a new imperialism more noxious and debilitating than the old."

And without a clear definition as to what is meant by globalisation, the Prime Minister said, "we may find ourselves disadvantaged and helpless, as it is often quite impossible to make corrections after the fact.

"Again I would like to refer to currency trading in which we have no say and which we now find almost impossible to correct even when the system is clearly to our disadvantage."

Recent events serve to prove yet again that it is far better for the G-15 countries to invest on their own in productive capacities and other developing countries than to depend on "hot" money inflows.

"When we talked of foreign direct investment and the need to open our countries to it, we were thinking of the setting up of job-creating and export-oriented industries.

"We failed to make a distinction between long-term investments and

short-term speculative `hot' money."

After pushing share prices to ridiculously high levels, foreign investors simply dumped the shares and collected huge capital gains, he said, thus leaving local investors with shares valued far below the bank loans raised to buy them. As a result, many have become bankrupt and the companies themselves face the same threat.

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