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Region's troubles may lead to domination by others: PM

THERE is no conspiracy to dominate the economy of East Asian countries but the troubles faced by them can create the opportunity for possible domination by the strong and powerful nations, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

Citing an example, he said the opening up of a country's financial sector to full foreign participation - one of the conditions attached to the International Monetary Fund (IMF) bailout package - is likely to result in foreign banks eventually dominating the finances of the country concerned.

"The assaults by the currency traders against the emerging economies of the South have done nothing good. Much has been made of the eventual recovery of these countries but even if they do recover, they will have lost a lot of their wealth and the fruits of their labour.

"In addition, they may have lost their economic sovereignty as well," he said when opening the meetings of the finance ministers of Asean and Asean plus Six, and the Conference on Financial Initiatives for the 21st Century in Kuala Lumpur yesterday.

In the case of Malaysia, a 40 per cent devaluation of the ringgit is equal to a reduction of per capita income from US\$5,000 to US\$3,000 (US\$1 = RM3.52). In terms of gross domestic product, this amounts to about US\$40 billion a year.

At the same time, more than US\$100 billion has been wiped out from the stock market which has tumbled by almost 60 per cent. Altogether, Malaysia lost about US\$140 billion.

The other countries of South-East and North-East Asia must have among them lost more than US\$500 billion in terms of import purchasing power.

In his speech which traces the progress of the "economic tigers" and "dragons" of South-East Asia up to the July 2 attack of the baht which led to the contagion effect affecting several Asean members, Dr Mahathir said it is the operation of the currency traders which has caused the devaluation of the currencies of the affected countries.

There may be fundamental weaknesses but these had only a minimal effect on the value of the currencies.

He said Malaysia's only identifiable weakness was a deficit in the balance of payment, which reached a peak in 1995. But by 1996, it had been almost halved. In the early months of 1997, the deficit had narrowed further.

Some of Malaysia's infrastructure and development projects were big but past experience has shown that they were manageable. "But the so-called investors insist that they could not maintain confidence in Malaysia."

Dr Mahathir also said currency trading, which is destroying the economies of many developing countries, have really no direct connection with trading in goods and services.

"Currency trading treats money like a commodity. But money is nothing more than tokens with no intrinsic value. Money is not like rubber or tin or copper or gold. The value that money has is what we agree to give it.

"Its value can therefore be depreciated or appreciated at will."

He said while trade in goods and services contribute tangibly to economic development and the well-being of the people, currency trading - which is said to be 20 times bigger than world trade in goods and services - does not produce any benefits.

Apart from a few people making huge sums of money and losing it sometimes, it creates no employment, and no growth in business or in the wealth of nations and the people.

"It has impoverished countries and regions. It has wiped out decades of hard work, of sweat, toil and tears."

Dr Mahathir stressed that if currency trading is to be allowed, it should be made transparent and it should be regulated.

It is ridiculous, he added, that at a time when governments and all businesses are being exhorted to be open and transparent, currency traders are allowed to trade in virtually absolute secrecy.

It is difficult to ascertain how much of the so-called exotic currencies are held by the traders. There seems to be an inexhaustible supply of offshore money, which runs into billions and billions, in the hands of the currency traders, he said.

"We don't know who they are, how much capital they have, how much they have borrowed, what currency they hold, whom they sell to and who they buy from? What amount and to whom do they pay taxes on the profits they make from their target countries? Certainly these countries collect no taxes from them."

Dr Mahathir also said if globalisation and open markets are to contribute to growth and enrichment, there must be international laws respected by everyone.

"Without laws, the strong and the corrupt will rule and dominate. Is this what is being advocated?" he asked.

Currency trading, he added, demands to be regulated in the interest of everyone.

Every country will be affected adversely by the activities of the currency traders, even the developed ones and those of their domicile.

"And so long as they are not regulated, so long as they have trillions of dollars at their disposal, their capacity to attack and damage economies will remain, and they will strike fear in the hearts of not just governments and finance ministers but also businessmen and people, rich and poor alike."

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