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Support for call to regulate currency trading

CHILEAN President Eduardo Frei-Tagle supports Malaysia's call for a mechanism to help govern international currency trading so that the activity does not inflict damage on the economy.

Fully aware of the dangers of excessive manipulations and speculations of an open emerging economy, Eduardo echoed Prime Minister Datuk Seri Dr Mahathir Mohamad's opinion that such a mechanism would not be out of the ordinary as there were already international treaties and agreements governing international trade of goods and services.

Speaking at the opening of the 12th general meeting of the Pacific Economic Co-operation Council here on Tuesday, he said such an agreement could be in line with international treaties such as the World Trade Organisation or its predecessor the General Agreement on Tariff and Trade.

Chile as one of the fastest growing open economies in Latin America fits the criteria of countries whose currencies are susceptible to manipulation by foreign exchange traders. It registered its 13th year of uninterrupted growth at more than seven per cent per year.

Eduardo in his speech also expressed sympathy for the currency-related crisis hitting most of the South East Asian economies in the last few months.

He said speculative short-term funds, or hot money, had destabilising effects on the economy, and could unravel the benefits of long-term investments. There was no reason why trading of a country's currency should jeopardise the economy of the country, he added.

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