

SYSTEM FOR ALL 50

Set up a world financial structure, says Mahathir

By LIM CHYE KHIM

TOKYO: Malaysia has called for the setting up of a world economic system in which the financial structure applies to all countries.

"This will be a very healthy situation," Datuk Seri Dr Mahathir Mohamad said yesterday.

The Prime Minister was hopeful that such a situation would come about following a growing acceptance among countries and international organisations on the need for some form of currency controls.

Speaking at a luncheon organised by the Nihon Keizai Shimbun (Nikkei) newspaper group, he foresaw a convergence of the market policies advocated by the International Monetary Fund and those which advocated controls.

"I believe that initially there will be some divergence but already there is a feeling that control is not bad," he said in reply to a question on whether the lines of the two groups would converge some time in the future.

"You can see clearly that countries where currency is controlled have

done better," he said, pointing out that such reports were contained in publications by the IMF.

"They (IMF) listed the performance of 15 countries and countries which performed the worst were those under the IMF regime," Dr Mahathir said, citing Indonesia, Thailand and South Korea as examples.

He said as people started to think that such IMF policies were not good, they would revise their views.

"The revision is towards some form of control, some form of rules and regulations," he said, expressing the hope that one day currency trading would be regulated.

Dr Mahathir said hedge funds should not be allowed to have too much leverage, adding they should not be given leverage of 20, 30 or 50 times their capital but only once.

"They should disclose everything. The kind of trading they do - every time they sell, the currency goes down. That has to be changed," he said, asking why the price of coffee did not drop when there were buyers at a particular price.

● TURN TO PAGE THREE

PM: Measures showing results

● FROM PAGE ONE

"Once there is currency regulation and control, I think China and Malaysia, which have controlled the exchange rates, will be willing to come back," he added.

Dr Mahathir believed that there would be a convergence between the policies of China and Malaysia, which would become more relaxed, and that of the other countries, which would have instituted some minimal control so that their economies were not easily abused by greedy manip-

ulators.

Asked whether he saw as discrimination US President Bill Clinton's praise for China but not Malaysia for having currency controls, he said it could be that perhaps China had held such a position all along while Malaysia decided to impose controls only lately.

Explaining Malaysia's latest measures to prevent further abuse of the market, he said these were already showing results, adding that Malaysia's economy was expected to grow by 1% next year.

Dr Mahathir said Malaysia was aware that its trading partners were weak and could not invest as much as before.

"We will be happy if we can grow by four, five or six per cent."

Dr Mahathir told his audience said that although Malaysia "sometimes does radical things" it would always be a country worth investing in as it had a stable government.

"We are in a way very conservative, we believe we must be business-friendly to develop our country," he said.