

# West 'seeing the danger now'

By LIM CHYE KHIM

TOKYO: Europe and the United States are beginning to see the dangers posed by hedge funds and currency trading because they are becoming affected by the problems created by such activities, Datuk Seri Dr Mahathir Mohamad said.

The Prime Minister said people initially blamed the economic crisis on governments for being corrupt, then the International Monetary Fund for tight money policies.

"But now people are able to go down to very root cause of the problem.

"I think a few more LTCMs (referring to the collapsed US-based Long Term Capital Management) and they will change their minds

518 10 93  
completely," he said during an interview with Japanese newspaper editors.

"I think we need to see a few big banks in the developed countries go bankrupt, people become poor, jobs are lost, then they will understand the role of the hedge funds."

Asked about his feelings on the US government move to help bail out the LTCM, he said it was cronyism as the banks which provided the money had on their boards certain people who actually invested in the LTCM.

"So by using the bank's money to rescue the LTCM, they were using the bank's money to rescue their own investment.

"That is the worst form of cronyism. It amounts to almost corruption."

Responding to a comment that western leaders and media were beginning to be supportive of Malaysia's views, Dr Mahathir said people realised that destroying the economy of the world did not help anybody.

"When the attack was made on countries in South-East Asia and our economies collapsed, Europe and the US said it would not affect them.

"But today they know it can affect them, so now they are thinking maybe they should regulate currency trading. So I think the world will slowly come around to this view."

"Trade in goods and services creates wealth for everybody, creates jobs, business, etc, but very few people gain employment through trade in currency as

hedge funds employ only a small number of people.

"But it is 20 times the size of world trade. Why should we have such a huge trade, which only benefit a very small number of people?" he asked, adding: "We can do without currency trading."

To a question, he said the most appropriate body to regulate the situation should be the International Monetary Fund but it must have the backing of countries like the United States, without which IMF was powerless.

He suggested that to regulate hedge funds, their leverage should be limited to 100% of their capital, they be required to trade openly and announce every transaction that they made.

Dr Mahathir also welcomed Japan's offer of US-

\$30bil (RM114bil) to help Asian countries tackle the economic crisis.

"Most of the countries are short of funds and need money to tide over a very difficult period.

"Japan's offer is very much appreciated," he said.

The Prime Minister said that initially Japan proposed a US\$100bil (RM380bil) fund but this was opposed by the United States, which claimed it would undermine the authority of the IMF, so Japan did not go ahead with the offer.

On Japan's economic recovery, he said it was "too slow for us."

He said the problem was not just economic but also political because of the rapid change of Japanese governments.