

16/11/1998

Dr M: Big powers give contradictory messages

ad; Francis C. Nantha; Long Hui Ching; Kasmiah Mustapha  
PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday questioned the contradictory messages being given by major economic powers on free market.

"There is a lot of contradictions between what the world says it believes in and what it does. We are constantly being told to abide by the rule of law.

"Presently, the world believes in laws, in rules and regulations to govern the behaviour of everyone. Yet we are being told that we must leave finance and trade to market forces."

Citing the case of Microsoft Corporation chairman Bill Gates who is currently facing an anti-trust suit in the United States for allegedly illegally stifling competition, Dr Mahathir described Gates as a true free marketeer.

"But the US Government thinks he is being unfair to his competitors. We see no difference between Bill Gates and currency traders. Why should Microsoft be penalised for using market forces when currency traders are not?" Dr Mahathir said when opening the Apec Business Summit at the Putra World Trade Centre in Kuala Lumpur yesterday.

He said in currency trading the hedge funds were the Bill Gates of the international financial market as they competed against puny central banks of developing countries.

"If it was unfair, improper and illegal for Bill Gates to corner the market, then shouldn't the activities of the funds be considered unfair also?"

"If Bill Gates' competitors have to be protected, should we not protect the victims of the hedge funds also?"

While saying currency speculation and the rapid flow of investment capital might be compatible with globalisation, the Prime Minister said the world could also see the harm they could do to the economies of developing countries.

Owing to the currency crisis, he said the once prosperous East Asian region which was a huge market for European and American products had lost much of its purchasing capacity.

He added that getting the world back on its feet was going to be extremely difficult and would take a long time.

As the world faces one of the most difficult times, Apec, as a segment of the global community, could provide a model for the regeneration of the global village.

"The East Asian members of Apec can provide the experience and we all can help devise the right formula to restore confidence, regenerate growth and manage globalisation better," Dr Mahathir said.

He called on "the fertile minds of economists and financiers" to devise mechanisms for determining the exchange rates.

"Governments of powerful countries just cannot abdicate their roles in determining the exchange rate mechanism. They owe it to their people and their countries to accept responsibility for determining the exchange rates."

The excuse the Governments gave that currency trading could not be made transparent was ridiculous, Dr Mahathir said.

"Despite dealing in billions and trillions of dollars, we do not know who they are, how they trade, where they trade and who invests in them.

"It is only when they fail, as the Long-Term Capital Management Fund had failed, that we learn about them and their massive trading. It was shocking to learn that with a capital of US\$4 billion (RM15.2 billion), the US hedge fund could borrow up to US\$1 trillion, 250 times more.

"Banks are supposed to exercise prudence. Is this what is meant by banking prudence? Aren't the Governments supposed to supervise banks or have they abdicated this role also?" he said.

Later at a Press conference, when asked to comment on his likening Gates to currency speculators, Dr Mahathir said the remarks were merely to reflect the double standards practised by the US Government.

"I don't think he will be offended ... he is a good friend of mine. All I am trying to say is that if you are dealing with a situation, you have to have one standard."

Also present at the opening of the business summit held concurrently with the Apec meetings was Peruvian President Alberto Fujimori.

(END)