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Currency traders must be licensed, says PM

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KUALA LUMPUR, Mon. - Advancing his arguments for greater transparency in currency trading, Prime Minister Datuk Seri Dr Mahathir Mohamad said today those in the business should be registered and licensed in countries where they operate.

He also outlined several other measures to regulate currency trading.

They are:

- * Banks must be made to reduce the money they lend to the funds (controlled by currency traders) to reasonable multiples;
- * The basis for changing the exchange rate must be regularised. So long as there are buyers, there should be no change in the rates;
- * Only a certain percentage in the change of exchange rates should be allowed for a given time. Any rate exceeding the percentage allowed should result in stoppage of trading;
- * The sellers must deliver within a specified period the money sold; and,
- * An amount not exceeding a certain percentage of the trade of the country concerned must be fixed as the maximum limit for any deal on any day.

Dr Mahathir said if currency trading could not be done away with, then it should be properly supervised and regulated.

"This is possible if the big rich economic powers are willing to co-operate, to enact rules and to enforce them," he said in his keynote address at the "International Conference on Managing The Asian Financial Crisis: Lessons And Challenges" at the Palace of the Golden Horses.

The two-day conference is jointly organised by the Asian Strategy and Leadership Institute, Rating Agency Malaysia Bhd and Limkokwing Integrated. It is being attended by international experts, national policy makers and business leaders.

Dr Mahathir said obviously, the rules and regulations and laws would prevent the traders from making the kind of profit they were used to reaping.

"But if trade in goods and services is limited by what the market can bear, why should it not limit trade in currencies?"

"Must we protect the excessive profitability of currency trading to the extent of plunging countries, regions and the world into economic turmoil and recession?"

In this context, Dr Mahathir said that currency trading must be forced into the open. He argued that when the world acted in concert to prevent money laundering, there was no reason why it could not do so to regulate currency trading.

Dr Mahathir traced the strategies of South Korea and Asean countries in developing the economy and how, if left to themselves, these countries would catch up with the developed world in a relatively short time.

Referring to the currency traders, the Prime Minister said: "The currency traders are no doubt the people responsible for devaluing the currencies.

"They are the cause of the currency turmoil. They spread it worldwide. They precipitated the current recession in every country. They are well on the way to bringing about a worldwide recession."

Thus, he said: "If we are going to manage the Asian financial crisis with any possibility of success, we have to deal with currency speculation

and manipulation."

The Prime Minister argued that with the volume of currency trading said to be 20 times that of world trade - perhaps even bigger now - "what is there to show for the amount of money involved?"

He said world trade created wealth, jobs and industries and all and every kind of economic activity.

"The world is as developed as it is today because of world trade in goods and services of every conceivable kind. If world trade is 20 times its present value, then the wealth and the well-being it creates would be unimaginable.

"Every country, rich or poor, backward or advanced would be considerably enriched. But we know that the wealth of the world is due largely to the trade in goods and services, while currency trading despite being 20 times bigger has not contributed anything to the well-being of the world, to economic development."

Dr Mahathir made it clear that unless currency trading was recognised as the root cause of the present problem, corrective actions could not be made.

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