

02 NOV 1998

Mahathir-currency

CURRENCY TRADING ROOT CAUSE OF CRISIS, SAYS MAHATHIR

KUALA LUMPUR, Nov 2 (Bernama) -- The key to resolving the current financial crisis is to recognise currency trading as the root cause of the problem, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

Cosmetic adjustments and correcting peripheral causes, among others, would not do any good at all, he told 350 participants, including those from Japan, Korea, Hong Kong and Singapore at an international financial conference here.

"Nor would an admission that currency trading is too big and too powerful to be regulated help overcome the problem," he said in a luncheon address in conjunction with the conference on "Managing The Asian Financial Crisis: Lessons and Challenges".

Dr Mahathir, who is also First Finance Minister, said currency trading in the present form was not essential eventhough exchanging one currency for another was necessary for world trade.

The two-day conference is jointly organised by Rating Agency Malaysia Bhd, the Asian Strategy and Leadership Institute and Lim Kok Wing Integrated.

Dr Mahathir said:"If currency trading cannot be done away with, then it should be properly supervised and regulated.

"This is possible if the big rich economic powers are willing to cooperate, to enact laws and rules and to enforce them," he said stressing that currency trading must be forced into the open.

Dr Mahathir said since the world had acted in concert to prevent money laundering, he saw no reason why it could do likewise to regulate currency trading.

He urged that such trading be registered and licensed in the countries where they operate and that banks be made to reduce the money they lend to these funds to reasonable multiples.

The prime minister called for regulation of the basis for changing the exchange rate and that so long as there were buyers, there should be no change in the rates.

Dr Mahathir proposed only a certain percentage in the change of the exchange rates be allowed for a given time and any rate exceeding the percentage allowed should result in stoppage of trading.

"The sellers must deliver within a specified period the money sold.

"An amount not exceeding a certain percentage of the trade of the country concerned must be fixed as the minimum limit for any deal on any day," he said.

Rules and regulations and laws would obviously prevent the traders from making the kind of profit they were used to making, he said.

"But if trade in goods and services are 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 extend of plunging countries, regions and the world into economic turmoil and recession?" he asked.

Dr Mahathir said free trade was good only if it brought about wealth and benefits to the people and the countries involved but it was not meant to profit one at the cost of the destruction of the other partner.

He said: "If free trade means that the rich can rape the poor, than we might as well resort to conquest and colonisation of the poor by the rich and the powerful.

"If this is what the world economic order is going to be like, than we might as well not talk about the independence of nations and human rights.

"It would be the height of hypocrisy if we accept the exploitation of the poor by the rich as the norm, when we all talk about a brave, humane new global society.

"We are actually backsliding and returning to the Dark Ages, the age of superstition in which economic and political exploitation must be subscribed to by everyone on pain of being declared a non-believer and being burnt at the stake," he said.

In his 30-minute speech, the prime minister also spoke of efforts in rescuing companies during economic turmoil to avoid massive collapse of the economy.

Rescuing companies was something everyone did and the idea that the companies which failed must not be rescued was not a matter of religious injunction, he said.

Too many innocent people would be punished if businesses were allowed to fail.

"Punish the wrong-doers by all means but killing the companies serves no good purpose," he said.

Dr Mahathir said the innocent would be the one who suffered most and so if there were failures, the companies could be resuscitated and the country go on prospering.

He blamed the simultaneous collapse of the East Asian economies due to the role of currency traders.

He told the conference participants that if they wanted to manage the Asian financial crisis with any possibility of success, they have to deal with currency speculation and manipulation.

-- BERNAMA
AFY SJA MFJ