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Dr M: Governments must regulate currency traders

Nuraina Samad in Tokyo

GOVERNMENTS must regulate or impose restrictions on the practices of their currency traders to end the current economic woes and currency instability, Datuk Seri Dr Mahathir Mohamad said.

The Prime Minister said as long as the philosophy of the world was to accept the unbridled activities of these traders in the name of free trade, "then we are going to have economic turmoil and currency instability forever".

Dr Mahathir was replying to a question about the regional currency problem during a question-and-answer session at the fourth international conference on "Future of Asia" hosted by Nihon Keizai Shimbun Inc (Nikkei) at Okura hotel yesterday.

He had earlier delivered his keynote address, "The future of Asia in a globalised and deregulated world".

He said currency traders cannot regulate themselves and even if they were operating offshore there were ways to regulate them.

"Everybody lives in some country or other and is subject to some law or other. If the countries in which these people operate agree to restrict or regulate their actions I am quite sure we can overcome the problem."

Dr Mahathir said the question that must be asked was whether the world wanted "such volatility" (in the financial market) that it could render the currency of a prosperous country unstable.

"I don't think so. If you think that that is not good then you have to do something to restore the situation or make it better."

On another question on whether there was a difference between new capitalists in the United States, Europe or Asia, Dr Mahathir replied that although he believed there was none, what would happen was that no matter where they were, they would coalesce in order to grow bigger.

When they became huge, that in itself would have its own impetus and momentum which cannot be stopped.

"When they get big they can influence governments and can actually push aside small governments. There will be no democracy in the world. Just like the banana republics in the past, companies are so powerful in a country that politics will have to bow to the wishes of the companies. I hope and pray this will not happen."

On whether there was a possibility of the emergence of a common Asian currency in the wake of the currency problem in the region, Dr Mahathir said at some stage there would probably be but like in Europe it would not be easily implemented and would take a long time before there could be one single Asian currency.

But he said there were other ways, without having to resort to having a common currency.

On whether there was a possibility of a whole new round of problems being triggered in view of the huge market in the auto and steel production and manufacturing in Southeast Asia, Dr Mahathir said that while he believed there would be, the proportion would not be bad.

He believed that it was better to have many small companies than a few giant companies.

Dr Mahathir said when a giant company collapsed, it could affect a country and the world.

"We have seen a lot of companies going bankrupt in Malaysia without making the country go bankrupt. If, for example a bank with US\$600 billion

capital collapses, everybody makes a run on the bank, no safety net in the world can save the bank and it will fall right through."

On whether the change in government in Indonesia had positive or negative effects on the region, Dr Mahathir said a mere change of government could not correct all the weaknesses of a country if this change was not accompanied by other factors.

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