

03 NOV 1998

MAHATHIR-RATING AGENCIES

INT'L RATING AGENCIES SHOULD RATE ON REQUEST, SAYS MAHATHIR

KUALA LUMPUR, Nov 3 (Bernama) -- International rating agencies, which have done more harm than good to economies trying to recover from the currency crisis, should undertake rating exercises only when they are asked to do so. Prime Minister Datuk Seri Dr Mahathir Mohamad said here today.

He said that for example, they should only undertake ratings for buyers of companies or for those giving out loans.

Early rating agencies had done their ratings only on request to help buyers of companies being rated so as to determine the value of the companies they are buying or to lenders in deciding to lend or not, he said.

Dr Mahathir also questioned their motive in downgrading Malaysia's ratings to a mere junk bond status just when Pengurusan Danaharta Bhd and Danamodal Nasional Bhd were set up and ready to raise funds abroad, saying "if it is not to prevent us from borrowing money."

"It looks like they are bent on preventing us from recovering," he said during a dialogue at the end of the seminar on "Managing the Asian Financial Crisis: Lessons and Challenges."

He said rating agencies have now discovered that they could charge a fee for anybody who wants to use the ratings which they do without the request of the affected parties.

"What business is it of theirs to go around rating people without request," the Prime Minister said.

He said these agencies have found and tried they have obtained considerable power to make other people's lives difficult, adding that the damage they cause when they downgrade was horrendous.

"A country, for instance, would be made poorer because the agencies have many followers," he said.

He said rating agencies should not publish a rating they have done on request.

Dr Mahathir also suggested that when the rating agencies undertake ratings, they should identify the weak points so that corrective action could be taken.'

Rating agencies are themselves not transparent as the basis on which they arrive at a rating for companies and countries is not known, he said.

"Don't ask governments to be transparent if you are not transparent yourself, obviously, there is a need for some form of regulation of these rating agencies," he said.

He also questioned the identity of shareholders behind these agencies and whether the banks owned them.

This was because banks stood to benefit by charging high interest rates to countries which would not be able to raise bonds overseas.

Dr Mahathir also hit back at the financial managers of the west who said that Asia should have in the first place been prudent to prevent present currency crisis.

He pointed out that western banks have actually been imprudent when they exposed themselves unnecessarily by lending money to Long Term Capital Management, the hedge fund in the United States.

"While LTCM gets 200 times its capital, can you call that prudent, and yet we were told to be prudent."

He said Asian countries were also warned that they would be punished by these people "but those who act against us work with the imprudent banks."

Dr Mahathir also said he welcomed the usage of private equity funds to help the recovery of Malaysian companies.

However, he said such funds tend to follow speculative trends in the stock market.

The Prime Minister also said that if there was demand for free flow of funds, there should not be a control on the migration of people.

For instance, people in Eastern Europe should be allowed to migrate to the prosperous Western Europe and the Africans as well as the Latin Americans should also be allowed to migrate to the north.

"I believe this is bound to happen," he added.

Dr Mahathir said migrating people should also be given the same rights as local citizens and this would include the right to vote, be members of parliament and even cabinet ministers.--BERNAMA

AD/MSL MR