

21/10/1998

Mahathir: We'd rather be heretics than be dominated

Hardev Kaur in Tokyo

TOKYO, Tues: Malaysians would rather be "heretics, be pariahs even" than be dominated and "colonised" by currency traders who have "no compassion, worship greed and declare that greed is great," Datuk Seri Dr Mahathir Mohamad said.

"No one cares what happens to us ... we can expect no help, no hand stretched out to pull us up," the Prime Minister said, adding that "Malaysia had no choice."

It saw things clearly and decided to institute its own remedies "to protect ourselves with the little strength that we have".

He said: "We are a small country struggling to catch up with the developed countries."

Malaysia knew that when the country decided to cut itself from "the new religious creed as represented by the free market" it would be regarded as heretics and "we will have to face the possibility of being burnt at the stake".

The only way for Malaysia to avoid colonisation is to protect the currency and shares from being manipulated. Thus the currency exchange rate mechanism was introduced making the ringgit only legal tender at home.

Dr Mahathir acknowledged that there is danger of abuses and corruption that may arise from the fixed exchange rate regime but added that "certain rules and regulations have to be put in place to prevent abuses."

He said this in a speech to some 400 invited participants of a seminar organised by Mainichi Shimbun. Besides Dr Mahathir, other panelists were Japan's Vice Minister of Finance Eisuke Sakakibara and chairman of Japan's External Trade Organisation and the former Vice Minister of the Ministry of International Trade and Industry Noboru Hatakeyama.

Dr Mahathir explained the role of currency traders and their quest for profits and their greed and the devastation caused to the South-East Asian economies to the participants at the half-day seminar.

Since no one regulates them, they are free to devise their own rules of trading. And each time they sell a currency, they devalue the currency to whatever level they wish.

The currency traders also cause devastation by leveraging capital. Usually they leverage by 20 times but in the case of the Long-Term Capital Management (LTCM) it was leveraged by 30 times and then leverage this amount by a further eight times. Thus with a US\$4 billion (US\$1 = RM3.80) capital the LTCM could invest as much as US\$1 trillion.

The US authorities moved into action with lightning speed to bail out LTCM and no time was wasted in asking about Government corruption or crony capitalism as they realised that with the failure of the hedge fund "their own financial system can collapse too".

But when only the poor were the victims "nothing should be done." But now that the rich are being affected "therefore currency trading must be regulated so that the rich would not be threatened".

Dr Mahathir also spoke on the International Monetary Fund (IMF) and its conditions for helping countries in distress and its remedies.

"Conditions, such as increasing interest rates, squeezing credit, bankrupting banks and businesses merely make matters worse. High interest rates and credit squeezes at a time of economic strain and general impoverishment only cause more business failures.

"Eventually the Governments will fail too as corporate and personal taxes dry up. Paying for the IMF loans would become impossible. Economic recovery would be beyond any Government.

"Should the IMF be blamed?" Dr Mahathir asked and replied: "Yes. For making matters worse."

Eventually timid eyes were focussed on the currency traders, the hedge funds and with their billions and their shadowy activities. But it was not until the LTCM debacle that the US and Europe awoke to the danger posed by the hedge funds and currency trading, Dr Mahathir said.

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