

05/06/1998

PM calls for curbs on currency traders' destructive activities

TOKYO, Thurs: Countries where currency traders operate should place restrictions on their activities that can bring down whole economies, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

He said these countries must ask themselves what benefit currency volatility will bring, and whether it contributes anything to the wellbeing of the world.

"I don't think so. A whole region which is prosperous has been made poor because currencies are no longer stable. If you think that is not good, you must think of something that you must do to restore the situation before, or to create a new and better condition after," Dr Mahathir said.

Fielding questions after delivering the keynote address at the Nihon Keizei Shimbun International Conference on "The Future of Asia" here today, the Prime Minister was asked how the herd mentality of currency traders could be controlled.

He said if these countries feel that people who have the means to make the most amount of money must not be obstructed in any way, even if they cause revolutions and unemployment for millions, then economic turmoil and currency instability will continue forever.

"Because these people can only make money if there is instability. They do not reward governments by making currencies stable. By rewarding the governments with currency stability they would be depriving themselves of a chance to make profit.

"So they will not regulate themselves. Governments can regulate them, and the governments of the countries where they operate them can regulate them. Even if they operate offshore we think there are means of regulating them," Dr Mahathir added.

Asked by one participant whether this new capitalism is practised differently in the US, Europe or Japan, the Prime Minister said there is no difference where it is practised.

"What may happen is that in order to grow bigger, all of them will coalesce and become huge, and that has its own momentum which you cannot stop. When they are so big that they can influence governments and push aside small governments, then there really will be no democracy in this world," he said.

Asked if a new round of crisis may be triggered when similar South-East Asian industries produce more than what is needed by the market, he said the proportions of such a crisis will not be very big.

"A few people will go down and that will do people no harm. That will teach people a lot of lessons. But just imagine if we have only three huge steel companies in the world and because they don't cooperate with each other, they produce more than is required," Dr Mahathir said.

He said he would rather see a situation where the collapse of small companies will not affect the whole world, or even the performance of a country.

"But if one of three giant steel companies of the world produces a few million tonnes and cannot sell the steel, the company will collapse and will drag down banks and governments along with it.

"So we have a choice there, either we allow small companies or we have only giant companies in this world," he added.

On the possibility of a common currency for Asia, Dr Mahathir said this is not something that is easily implemented. There are other ways for

Asian countries to trade without using a common currency.

Asked whether he feels the change in the Indonesian Government will be good or bad for the region's economic recovery, Dr Mahathir said mere change of government does not mean things will improve.

"Indonesia is very much in need of funds, and the International Monetary Fund has promised to give them US\$3 billion (US\$1 = RM3.96). But this was made conditional upon Indonesia stabilising itself. One of the things that it must do is change governments, which Indonesia has done. But funds are still withheld."

As a result he said, people in Indonesia will not have enough food, medicine, or milk for their children. They will be angry with the Government and there will be instability.

"And when there is instability the international agencies will say 'We will not release money to you because you are unstable'. We have to decide to break this cycle. You have to give them the money now that they have changed their government. You have to take the new government on trust. You cannot always be suspicious," he said.

On the spread of nuclear arms in Asia, Dr Mahathir said Malaysia is against nuclear weapons no matter who owns them.

(END)