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PM says his 1997 warning has come back to haunt HK

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PRIME Minister Datuk Seri Dr Mahathir Mohamad said yesterday his warning a year ago, that currency speculators if not controlled could destroy the world economy, has come back to haunt the very place he made the statement - Hong Kong.

Speaking at a meet-the-people session in Kuala Lumpur, Dr Mahathir said his warning during the World Bank/International Monetary Fund meetings last October went largely unheeded.

"Hong Kong, which subscribes to the free market system, refused to accept that an unregulated free market could be detrimental to its economy.

"Now its currency and stock markets are being subjected to severe manipulative attacks to the extent that the authorities have to intervene in the share market," he said.

As a result, Hong Kong, widely seen and promoted as a bastion of free enterprise, has to see its "philosophy thrown out the window."

While Malaysia is not against the free market, it recognises that the system can be abused by rogue speculators to plunder the wealth of nations, Dr Mahathir said.

He noted that when he called for international measures to rein in the currency speculators at the height of their attacks on the currencies of Malaysia, Thailand, Indonesia and South Korea, Hong Kong itself was relatively unscathed and had blamed regional economies and governments for the crisis.

Malaysia's stand that the governments are not to blame has been vindicated by recent events, including developments in South Africa and Russia.

"Even South Africa, which is simply trying to develop after being freed from the apartheid regime, was not spared from speculative attacks against its currency.

"And Russia had to devalue its currency, the ruble, to stave off attacks on the economy," he added.

Speaking to reporters later, Dr Mahathir said the policy measures adopted by various countries of late prove that Malaysia's arguments for the control and regulation of currency trading have been valid.

However, he doubts whether Malaysia will ever be given due credit for having advocated these very same measures in the first place.

"They (foreigners) do not seem to want to recognise what I had said is true. But what they are doing now are similar to what we have proposed... now they are talking about the need to regulate the currency trading."

On whether the victimised countries should join forces to fend off the attacks on their currencies and stock markets, Dr Mahathir said this may invite even more severe retaliation.

"If we join forces, they (speculators) will immediately hit us hard and reduce our economy to nothing. In Indonesia, for instance, they brought the value of the rupiah from 2,500 against the US dollar to the present level of 16,000.

"There is no limit (to what they can do). They can destroy us completely. They can chop us to pieces. The currency traders are powerful people."

Asked how long it will take to resolve the economic problems, the Prime Minister said as long as the world does not recognise that the present

problems were caused by speculative attacks on currencies, every economy in the world will be exposed to the threat.

"For example, although the economy of Mexico has been restored with the help of the World Bank and the US, the value of peso has still depreciated about 40 per cent since January this year.

"There is no guarantee... as long as the world community protects currency speculators and keep the present procedures in currency trading, all economies are exposed to attacks," he added.

It is therefore vitally important for Malaysians to unite and close ranks to allow the Government to concentrate on addressing the challenges.

"We have done this before... during the time we fought for independence. We won by closing ranks among the races and without using any weapons.

"We can do this again because if we remain united, there will not be any riots or chaos, and the Government will be able to concentrate on fighting off the speculators," Dr Mahathir said.

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