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PM: Force currency trade into the open (HL)

PRIME Minister Datuk Seri Dr Mahathir Mohamad has proposed several measures to regulate currency trading, the cause of the financial turmoil in Asia which is now spreading worldwide.

Addressing an international conference in Kuala Lumpur yesterday, Dr Mahathir said such trading must be registered and licensed in the host countries.

He said banks must also be made to reduce the amount of money they make available to currency traders, limiting leverages to reasonable multiples, not 200 times as was the case with the recently bailed-out US-based Long Term Capital Management Fund (LTCM).

"The basis for changing the exchange rate must be regularised. So long as there are buyers, there should be no change in the rates.

"Only a certain percentage in the change of exchange rates should be allowed for a given time. Any rate exceeding the percentage allowed should result in stoppage of trading. The sellers must deliver within a specified period the money sold," Dr Mahathir said.

Speaking at the conference on "Managing the Asian Financial Crisis: Lessons and Challenges", the Prime Minister said an amount not exceeding a certain percentage of the trade of the country concerned must also be fixed as the maximum limit for any deal on any day.

"Obviously the rules and regulations and laws will prevent the traders from making the kind of profit they are used to making. But if trade in goods and services are limited by what the market can bear, why should it not limit trade in currencies?"

Dr Mahathir, who is also First Finance Minister, said although exchanging one currency for another is necessary for world trade, currency trading in its present form is not.

"If currency trading cannot be done away with, then it should be properly supervised and regulated. This is possible if the big rich economic powers are willing to cooperate, to enact laws and rules and to enforce them," he said.

Dr Mahathir said currency trading must be forced into the open. If the world could act in concert to prevent money laundering, there is no reason why it cannot do the same to regulate currency trading.

"The currency traders are no doubt the people responsible for devaluing the currencies. They are the cause of the currency turmoil. They spread it worldwide. They precipitated the current recession in every country. They are well on the way to bringing about a worldwide recession," he added.

If the Asian financial crisis is to be managed with any possibility of success, then currency speculation and manipulation must be dealt with, Dr Mahathir said.

"It is said that the volume of currency trading is 20 times that of world trade... perhaps even bigger now. But what is there to show for the amount of money involved?"

"Clearly currency trading has not done any good for the world. In fact it has been the cause of the present financial and economic turmoil, and has impoverished the world." Unless currency trading is recognised as the root cause of the present problem, the Prime Minister said, corrective actions cannot be made. Cosmetic adjustments and correcting peripheral causes will not do any good at all, nor would an admission that currency trading is too big and too powerful to be regulated.

"Free trade is good only if it brings about wealth and benefits to the peoples and the countries. Free trade is not meant to profit one at the cost of destruction of the other partner.

"If free trade means that the rich can rape the poor, then we might as well resort to conquest and colonisation... If this is what the world economic order is going to be like, then we might as well not talk about the independence of nations and of human rights," he said.

The world can then return to the Dark Ages, "in which economic and political exploitation must be subscribed to by everyone on pain of being declared a non-believer and being burnt at the stake."

"Pussy footing will get us nowhere. You will have to face the problems squarely and be willing to accept the condemnation of the rich and the powerful if your conference is to contribute anything at all to the solution of the financial crisis. I hope you are willing to face up to the challenge," Dr Mahathir told the participants, comprising corporate leaders and foreign diplomats.