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APEC-NEWS-MAHATHIR

POWERFUL GOVERNMENTS MUST DETERMINE THE EXCHANGE RATES - MAHATHIR

KUALA LUMPUR, Nov 15 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said governments of powerful countries just cannot abdicate their roles in determining the exchange rate of currencies.

Cautioning that leaving exchange rates to be determined by currency traders was imprudent, he said the excuse the governments give that currency trading cannot be made transparent is ridiculous," he said.

"They owe it to their peoples and their countries to accept the responsibility for determining the exchange rates," he said when opening the Apec Business Summit at the Putra World Trade Centre here today.

With unscrupulous speculators causing untold damage particularly to developing economies, he said while currency traders freely condemned governments for not being transparent, they themselves were not.

"Despite dealing in billions and trillions of dollars, we do not know who they are, how they trade, where they trade and who invests in them.

"It is only when they fail, as the Long-Term Capital Management Fund fails that we learn about them and their massive trading," he said.

Dr Mahathir said, "It was shocking to learn that with a capital of four billion dollars, the US hedge fund could borrow up to one trillion dollars, 250 times more. Banks are supposed to exercise prudence?

"Aren't the governments supposed to supervise banks or have they abdicated this role also," he said.

Lamenting over the present lack of a financial architecture as manifested by the anarchical and regulated capital flows in the international monetary system, he said countries "must not be tied down by fanatical beliefs which act as mental blocks to our recognition of the facts involved."

The Prime Minister also slammed calls by some quarters such as the United States to deregulate, that finance and trade should be left to market forces, saying it was contradictory to what was really happening because true free marketeers were being penalised.

Here, he highlighted the predicament Microsoft chairman Bill Gates who used his great financial power to build up his business, who now was hauled before the courts because Microsoft was alleged to forced vendors to bundle in its software for Internet services

Dr Mahathir said: "He is a true marketeer, but the US government thinks he is being unfair to his competitors, we see no difference between Bill Gates and the currency traders.

"Why should Microsoft be penalised for using market forces when currency traders are not," he said.

"If it is unfair, improper and illegal for Bill Gates to corner the market, then shouldn't the activities of the funds be considered unfair also?

"If Bill Gates' competitors have to be protected should we not protect the victims of the hedge funds also," he said.

Dr Mahathir said "there cannot be prosperity for anyone if an activity that causes the impoverishment of a quarter of the world is not reined in."

Owing to the currency crisis, he said that the once prosperous East Asian region which was a huge market for European and American products has lost much of its purchasing capacity.

With the financial crisis taking on global proportions, he said, "Getting the world back on its economic feet is going to be extremely

difficult. It will take a long time," he said.

He cautioned against rushing towards globalisation for "it can be abused, abused in such a way that instead of worldwide prosperity, there will be worldwide poverty and disparities between rich and poor, international and civil disorders and all kinds of crisis."

"Globalisation can bring about a better world if we are not fanatical about it. Not everything that is done in the name of globalisation will give good results.

"We should always be on the lookout for adverse consequences and be prepared to take corrective actions or even to reverse certain globalisation trends in order to ensure that these adverse consequences will not befall us," he said.

Dr Mahathir said that if currency speculation was good, "by all means embrace the particular manifestation of globalisation.

"If on the other hand the results are bad and in the case of currency trading they are bad, then we should reexamine the system and be prepared to jettison that expression of the system," he said.--BERNAMA

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