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## Relentless bid to check irresponsible currency speculation

Lokman Mansor in Tokyo

TOKYO: Malaysia has begun to lobby for global support for its proposal to reform the present international financial system, particularly to curb the damaging activities of currency speculators.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who has on many occasions been vocal on the subject, on Tuesday presented the case to an audience of businessmen and economists in Tokyo.

Speaking at the Institute for International Monetary Affairs' symposium on "Revitalisation of the Japanese Economy and the Future of Asia", he said the present system is "messy, unreliable and destructive".

Dr Mahathir said there should be a new system which will bring about stability of exchange rates, among other things. Fixed exchange rate is no longer possible or realistic since political, economic and social performance of a country will have an effect on the currency.

He said to gauge the economy, various indices could be given points to indicate the strength of the economy and therefore the currency. Economists could, for example, devise a measurement of the economic performance of a country using the political, economic and social indicators and then determine the relative values of currencies.

Dr Mahathir began his speech by criticising, among others, the International Monetary Fund (IMF), reminding the audience of how the world body had given Malaysia a clean bill of health and praised the country's economic fundamentals just two weeks before the "currency hurricane" struck the region.

"I cite all this in order to address all those extremist "market fundamentalists" who believe that the market is always right and that the reason why so many of us are in desperate straits today is because we mismanaged our economies and because all our "fundamentals" were rotten to the core.

"If all our fundamentals are wrong, why were the foreign investors so eager and so foolish as to pour billions upon billions of investment dollars in our region? If our fundamentals were rotten to the core, why did all the clever analysts not say so?" he asked.

Dr Mahathir said yet these same people continue to predict, to be believed in and to influence the market. If it is wrong for insiders to leak information which can affect share prices, he said, then it should also be wrong for forecasters to forecast something which influences the market to their advantage.

When the Prime Minister was addressing the audience, seated no more than 2 metres away was IMF first deputy managing director Mr Stanley Fischer, who sat noticeably quiet throughout, taking notes.

Dr Mahathir left the symposium during the coffee break after his speech as he had another appointment in his heavily scheduled five-day working visit here, including individual meetings with high-ranking Japanese businessmen.

Fischer, the first to speak as the symposium resumed, was expected to respond to Dr Mahathir's speech and this he did. "Before I begin, I would like to respond to some of the statements made in the earlier session," Fischer said as he took to the podium.

While admitting that there should be work towards a better international financial system, he said any effort to do so should not impose restrictions on the currencies in which trade can take place. This would

set the world back to "pre-World War arrangements" such as bilateral balanced trade, which he argued was the way to slow and not resume progress.

"Globalisation really has two aspects. One of them is opening to trade, and it is extraordinary to hear globalisation fiercely criticised in this region, which more than any other had benefited over the last 40 years from the opening of the world economy and the developing of international trade," Fischer said.

He said the unprecedented gains seen in East Asia would not have been possible without the opening of the world economy.

"We should not, under no circumstances, ignore that fact or imagine that there is some solution that would benefit countries in this region or anywhere that seeks to withdraw from a globalised system," Fischer added.

This is indeed a very weak response. First of all, who said anything about withdrawing from a globalised system? Malaysia has long accepted the fact that globalisation is inevitable.

It is merely pointing out the dangers that globalisation poses to developing economies. Precisely for this reason, various measures are being taken in Malaysia and elsewhere to prepare domestic economies for even greater globalisation in the future.

And what about "restrictions on currencies in which trade can take place" that Fischer speaks of. If one understands Dr Mahathir's position correctly, reform is an exact necessity to allow the use of currencies in world trade.

As long as currency speculation continues unchecked, currencies can be appreciated and devaluated in the space of several minutes or seconds. How is that going to help trade?

Malaysia's proposal for bilateral balanced trade, which has already been endorsed and practised within Asean, is a perfectly logical measure to minimise the effect of their respective currency depreciations against the US dollar. At least, they are doing something about it.

If both parties agree to use their own currencies to trade, how can that be wrong? Isn't that their choice to make? Or is criticism against this practice based more on the currency in the critic's wallet than on economic principles?

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