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Warning against speculators ignored (HL)

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KUALA LUMPUR, Thurs. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today his warning a year ago that currency speculators, if not controlled, could destroy the world economy, had come back to haunt the very place where he made the statement - Hong Kong.

He said his warning had gone largely unheeded, including by Hong Kong, because it believed strongly in the free market system.

Dr Mahathir said Hong Kong had then refused to accept the view that an unregulated system could be detrimental to its economy.

"Now Hong Kong's currency and share markets are facing severe manipulative attacks," Dr Mahathir told a gathering of Federal Territory Barisan Nasional leaders and members at Taman Titiwangsa.

He added that it was easy for a country which was then prosperous to dismiss Malaysia's warning as unacceptable.

"But now when it is being attacked, it realises that through such attacks currency traders will fill their pockets," he said.

The Prime Minister's remarks came as news reports from Hong Kong said it had declared war against currency speculators who were trying to force a devaluation of its currency by attacking the stock exchange.

They had done that because the Hong Kong currency, being pegged to the US dollar and supported by the Chinese authorities, is not easily manipulated.

Dr Mahathir also drew attention to the Hong Kong problem when he opened the Malay Contractors' Association of Malaysia 19th annual general meeting at the Dynasty Hotel, earlier.

Dr Mahathir said a few countries had resorted to taking drastic measures in defending their economies from the threats of currency traders and speculators.

The intervention by the Hong Kong Government, the moratorium imposed by the Taiwanese Government on the selling of shares of troubled companies used as loans collateral and the move by the Russian Government to devalue its currency were among them.

Dr Mahathir, had during the World Bank-International Monetary Fund in Hong Kong in September last year, called for regulation of international currency trading.

However, his suggestion came under severe attack by participants of the meeting and analysts, saying that it was unacceptable and against the free market system.

Today, Dr Mahathir said while Malaysia accepted the free market system, it believed that it should, to a certain degree, be regulated.

"If it is not regulated, then currency speculators will continue attacking our currency and the stock exchange."

Dr Mahathir said it was the responsibility of the Government, which was chosen through the democratic process, to ensure that the people's rights were protected.

Speaking to reporters later, Dr Mahathir said the world had yet to recognise that currency speculation could destroy the world economy.

Dr Mahathir said the Mexican peso dropped by 40 per cent from January till now although steps were taken to protect the currency.

"This means, there is no guarantee... and a certain currency can be attacked at any time as long as the world still loves currency traders."

Asked whether all the countries which had become victims of attacks by

currency traders could join forces to hit back, Dr Mahathir said:

"If we join forces, they will immediately attack us and reduce us to nothing. The Indonesian rupiah was 2,500 against the US dollar at one time but they attacked it until it was down to 16,000 against the US dollar.

"There is no limit to their actions. They can chop us to pieces. They are very powerful and like many people with power, they are corrupt."

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