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`People beginning to see currency trading very damaging to world trade'

FOREIGNERS are beginning to realise that currency trading, if left unchecked, is damaging to World trade and thus, concurred with Malaysia's call for a reform in the international financial architecture, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"I think people are beginning to see that this currency trading is very damaging to World trade.

"Now, they are beginning to realise that unregulated currency trading is not good for everybody, not just Malaysia but the rest of the world," he told newsmen after opening a four-day 12th Commonwealth Law Conference in Petaling Jaya yesterday.

Dr Mahathir was commenting on US President Bill Clinton's remarks on the need to reform the international financial architecture.

Clinton made such remarks when addressing chief executive officers' summit on the sidelines of the Annual Asia Pacific Economic Cooperation forum in Auckland on Sunday.

At the meeting, Clinton for the first time said that "it would be a mistake not to reform the financial architecture".

With the call for a reform in international financial architecture included in the Auckland Declaration, this clearly mirrored Malaysia's consistent stand for the global financial system to be reformed, failing which developing economies would continue to be at the mercy of the rogue currency speculators.

Due to such activity of currency speculators, Dr Mahathir said Malaysia had lost purchasing power of US\$50 billion (US\$1 = RM3.80) in a year when the ringgit depreciated by 50 per cent, while the East Asian region lost hundreds of billions of dollars.

Given such a scenario, Dr Mahathir said the World trade must also contract.

Earlier in his speech, the Prime Minister said currency traders might have made a few hundred million dollars for themselves while at the same time, they cause losses of tens of billions to the country whose currency they have devalued.

"All this is done simply by moving figures on a computer to show that a transaction has taken place... such is the effect of electronic data transfer.

"A rapidly growing can suddenly become a basket case because its currency has been devalued," he said.

He also said the governments of the countries attacked by the speculators were blamed for not being transparent, for cronyism and corruption, but the governments' success in achieving continuous high growth for their economies was dismissed as irrelevant.

On the contrary, he said the currency traders were blameless eventhough the currencies were devalued only after they started attacking these currencies.

At the press conference, the Prime Minister was also asked whether Malaysia prefers the imposition of trade barriers rather than opening up its markets to prevent further damage on its economy.

On this, Dr Mahathir said, while new trade barriers should not be erected, world trade should however be regulated.

"There should be some kind of regulations. Free trade should be regulated," he said, adding free trade is such a revered creed that any

amount of unfairness and inequity as a result of adopting it must be accepted.

"The emphasis is on level playing fields. The size and strengths of the players are considered irrelevant."

Dr Mahathir reminded that the removal of trade barriers can actually result in a contraction of world trade when all major businesses, industries and banks in the poor countries would be owned by big players from the rich countries.

"There would be more outflow than inflow of funds as the profits are repatriated to the rich countries.

"Whether it is currency trading, globalisation or a borderless world, the poor did not benefit at all.

"Do we examine this and formulate laws on international trade? No. Trade must be free.

"There must be liberalisation and deregulation. The impoverishing of the already poor is no reason for making trade less free," he said.

Dr Mahathir said liberalisation and deregulation were being touted as the "open sesame" to a world economic order "but from what we in East Asia have seen, this new order may very well result in our subjugation, first economically, then politically as well."

He also said market opening by all countries, regardless of their size, as advocated by the World Trade Organisation could lead poor countries to be at the losing end.

Dr Mahathir said the idea that the products of small countries could enter the markets of big nations as freely as the products of the rich could enter the markets of the poor only worked in theory.

In practice, he said poor countries may not have any products to export to the rich at all.

"Even if poor countries had the products to export to the rich nations, the products might not meet the high standards set by the latter," he said.

He added in their domestic markets, poor countries would face competition from cheap, high-quality goods from the rich nations, and eventually they would have to close down their factories and lay off workers.

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