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PM: Better regulated financial system needed

Hardev Kaur in Davos

MALAYSIA wants to see an international financial system that is better regulated and that allows people to develop and prosper all round, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

The system should serve not just certain countries but all, including developing nations like Malaysia, he said.

Dr Mahathir, who was here to attend the annual World Economic Forum, left for Kuala Lumpur yesterday.

At a Press conference here, he was asked whether he felt vindicated as there were now more voices calling for controls and regulations for currency trading. These voices were also growing louder.

Canadian Prime Minister Jean Chretien, in calling for currency controls, said: "We cannot see prosperity disappear overnight because some boy in red suspenders in New York decides this is not a good currency" while Singapore's Senior Minister Lee Kuan Yew had said there was a need for "more intrusive laws as I am not allowing my currency to be rubbished".

Dr Mahathir said the situation was much more satisfactory now than in 1997 when he first raised the issue at the World Bank/International Monetary Fund annual meeting.

Stressing that there must be regulation of currency trading, Dr Mahathir said that at the moment, currency trading was not very transparent.

Obviously, there must be some regulation, he said. "Everything else is regulated," he pointed out, adding that "if you want to fly from one country to another there is regulation, if you want to trade there are regulations, you want to ship things across the world there are regulations.

"I don't see why movement of capital cannot be regulated. Why are they so free to do anything that they wish, including abusing the system?"

Dr Mahathir said a system, for example, free trade, should only be adopted if it was good for everyone. But if the practice of free trade harmed a lot of people, a lot of economies, than it should be studied in order to revise it.

"To accept a system unconditionally almost as if it is a religion, that it cannot be tampered with, would be very wrong," he said.

Dr Mahathir was also asked for his wish list for a new international financial structure. American, European and Japanese leaders had already presented theirs.

While Japan, Germany and France are eager to press ahead with tough regulatory framework, the US is wary of creating new regulatory structures.

Asked about comments by US Vice-President Al Gore and Treasury Secretary Robert Rubin who said that there could be increased protectionism among developing countries due to the crisis, Dr Mahathir replied that the US was protectionist.

He said he could not understand how they were so much against protectionism as America practised it. He said it protected its wheat industry with huge subsidies and it had countervailing duties against anybody accused of dumping.

"Protectionism is practised by America itself. So, it should understand why a small country like Malaysia would want to protect its automobile industry.

"Until all countries are of equal economic strength, we cannot compete

simply because they say the playing field is level, because the competitors are not of the same size."

Dr Mahathir was also asked about Asian values, Asean and its future, an Asian regional fund, a single currency for Asia, and political developments in Malaysia including the ongoing trial of former Deputy Prime Minister Datuk Seri Anwar Ibrahim.

During the four-day working visit, Dr Mahathir also met entrepreneurs, bankers, fund managers and editorialists to explain Malaysia's currency controls.

He also held bilateral talks with several leaders attending the WEF including Singapore's Senior Minister Lee Kuan Yew, President of Sri Lanka Chandrika Kumaratunga and Iran's Foreign Minister Dr Kamal Kharazi.

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