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PM: Malaysia wants fairer financial system

Hardev Kaur in Davos

DAVOS, Sun: Malaysia wants to see an international financial system that is better regulated, and one which will allow people to develop and prosper all round, not just for certain countries but all, including developing countries like itself.

Prime Minister Datuk Seri Dr Mahathir Mohamad was asked on his "shopping list for a new international financial structure". Leaders from the developed countries - the US, Europe and Japan - had presented their "lists".

But the US and its Group of Seven (G-7) allies disagreed on the regulation measures. While Japan, Germany and France are eager to press ahead with tough regulatory framework, the US stressing on more openness and surveillance is wary of creating new regulatory structures.

Dr Mahathir who was here to attend the annual World Economic Forum (WEF) said that the situation is much more satisfactory now than in 1997 when he first criticised currency traders and speculators for the crisis.

He was asked whether he felt vindicated as there were not only more voices calling for controls and regulations and curbs on currency trading but these voices were also growing louder.

The Canadian Prime Minister Jean Chretien 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 Juan Yew said there is a need for "more intrusive laws as I am not allowing my currency to be rubbish".

The Prime Minister who first raised the issue at the World Bank/International Monetary Fund annual meeting in Hong Kong in 1997 was accused of not understanding international finance and that he did not understand their herd behaviour.

In reply to another question Dr Mahathir stressed that there must be regulation for currency trading. At the moment currency trading is not very transparent, who are they, what they are doing, where they are doing the trading and what is the system that they use.

Obviously there must be some regulation. Everything else is regulated, he pointed out 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 what they wish, including abusing the system".

Dr Mahathir said a system, for example, free trade, should only be adopted if it is good for everyone. But if the practice of free trade damages a lot of people, a lot of economies, then 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 tempered with would be very wrong," he said, adding "what we have seen is that free trade has led to the destruction of the economies of East Asia which in the past were regarded as miracle economies because they were growing so well and yet they have been destroyed.

"If we say that even though these economies are destroyed but this is done because of free trade, it should be acceptable. That kind of argument does not hold water with us. We think that a system is good only if it delivers the good things that it is (designed) to deliver."

Asked about comments from the US Vice President Al Gore and Treasury

Secretary Robert Rubin that there could be increased protectionism among developing countries due to the crisis, Dr Mahathir replied that the US was protectionist.

He added that he could not understand how Rubin or Al Gore were so much against protectionism as America practises that. It protects its wheat industry with huge subsidies, it has countervailing duties against anybody accused of dumping.

"Protectionism is practised by America itself. So they should understand why a small country like Malaysia would want to protect its motor vehicle industry.

"Until all the countries are of equal economic strength, we cannot compete simply because they say the playing field is level and because the competitors are not of the same size."

Asked to explain what he meant when he called for governments which harbour currency traders and claim that they cannot control them "should resign or be overthrown", Dr Mahathir said it had been suggested that governments in South-East Asia, including Malaysia, should be thrown out by demonstrations even though we are elected governments.

"My suggestion that any country which says that it cannot control its banks and banking system is not fit to be the government, it should either resign or it should be overthrown."

During the press conference Dr Mahathir was also asked about Asian values, Asean and its future, Asian regional Fund, a single currency for Asia, political developments in Malaysia, including the on-going court trial of the former Deputy Prime Minister and the reformasi movement.

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

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

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