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MAHATHIR-RINGGIT

BAN WILL ONLY BE LIFTED IF IMF STOPS CURRENCY TRADING

By: Mohamed Kamel Othman

CHICAGO, Sept 4 (Bernama) -- Datuk Seri Dr Mahathir Mohamad said the ban on trading of the ringgit will only be lifted if the International Monetary Fund (IMF) stops the people from trading currency.

The Prime Minister said he does not see any reason why currency should be traded because currency is not a commodity.

It has no value whatsoever unless when the government or the people recognises it, he said.

"It is not like coffee, tea, sugar, rubber or tin. These are commodity... these are real things. This (currency) is only a piece of paper," Dr Mahathir said in a dialogue with members of the Malaysian Club of Chicago here, Sunday.

The Prime Minister who arrived Friday is on a three-day working visit to Chicago.

"You can write US\$1,000 there and it becomes US\$1,000. If you decide to cancel and write US\$10,000, it becomes US\$10,000. These are pieces of paper which really do not have any value," he said.

"And why we should lift the ban on the trading of the ringgit?. We will lift the ban when they stop people from trading the currency," Dr Mahathir said.

He said that a fixed exchange rate does not harm anybody unlike currency trading when "they devalue your currency you will become poor."

Malaysia recovered very quickly from the 1997 financial crisis because of the fixed rate, the prime minister said.

Dr Mahathir cited an example prior to the turmoil when the Indonesian rupiah was at 2,500 to US\$1 and when it was attacked, the currency depreciated to 16,000 rupiah to a US\$1.

"When you devalue the currency, you create a lot of problems and poverty and in the case of Indonesia, the people started rioting because they are poor. So why do you want to trade in currency."

But the IMF said it was the right of the currency traders, Dr Mahathir said.

"It may be right for them but it is wrong for us," he stressed.

The Prime Minister said that Malaysia had informed the World Bank and IMF that the international financial architecture needed to be amended so that currency trading could be stopped.

"If people need to change currency, that can be done either by the government fixing the rate. If there is to be any trade at all, the traders should not borrow huge sums of money from the bank," Dr Mahathir said.

He noted that traders are allowed to borrow between twenty and two hundred times the capital that they have and then they start selling "our currency."

"If the central bank buys the currency, we have to use our reserves and if we keep on buying our own currency with foreign exchange reserves, then we would end up without any foreign reserves."

"Why should we have this system. I don't see any reason for it," said Dr Mahathir.

"I can't convince people and since I cannot convince them that they should put a stop to this, I will not be convinced that we should put a stop to our system," said the Prime Minister. -- BERNAMA

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