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MAHATHIR-FINANCE

MAHATHIR AGAIN SAYS GLOBAL FINANCIAL ARCHITECTURE HAS TO CHANGE

LONDON, Oct 6 (Bernama) -- Prime minister Datuk Seri Dr Mahathir Mohamad again stressed that the world's financial architecture has to be changed to get rid of unnecessary speculation, or even manipulation.

"In fact even (speculator George) Soros admitted that you cannot leave things to the market. The market is not perfect. What we need to do is to have proper rules and regulations even for speculative activities," he said in an interview with the Financial Times of London yesterday.

Dr Mahathir said there seemed to be absolutely no restriction now.

He said while capital must be allowed to flow across borders with no restrictions and that it was good when it was flowing in to stimulate economies, what was bad was when capital was suddenly pulled out.

Saying that speculators did not seem to have any regard for the consequences of their actions, he said they were only thinking about how much money they could make.

"And from what I see, they have destroyed more wealth in order to make just a small bit for themselves...I don't see why it should be allowed at all," said Dr Mahathir, who is now on a 10-day working visit to Britain.

Dr Mahathir also stressed that until the world found a new financial regime that eliminated the kind of speculative game that these people played, Malaysia would have to stick with its exchange controls.

"Because we can't leave it to the market, the market is totally irresponsible and all they can think of is how much money they can make for themselves," he explained.

As far as capital controls were concerned, he said people could bring money in and out of Malaysia quite easily now if they wanted to invest in the stock market.

"The only thing that they are asked to do is pay a 10 per cent tax on the profits that they take out of the country. That is all. And that is very minimal because profits are not very big. There is no tax on capital gains. So they make a lot on capital gains. So there is practically no restriction on the flow of short term capital."

As far as investment in productive capacity was concerned, Dr Mahathir said there was no control whatsoever. People can come in and invest and take out their money if they want to.

The prime minister also said that he believed that speculation in currencies needed to be regulated.

"That is entirely possible. This is one area where they tell us you must be transparent, but they themselves are far from being transparent. You don't know where they are. You don't know how much money they have, how they are operating, what actually they are doing, how they manipulate these things. You don't know.

"It should be open to everybody and banks should not give such huge leverages. It can be as much as 200 times. In the case of LTCM it ran into trillions of dollars. It's ridiculous that banks could risk so much money with these funds and as we can see things can go wrong. When they go wrong their cronies have to move in to help them out."

Dr Mahathir when asked on the present state of reform of the financial architecture felt that people did not seem to see it as urgent.

"And we find that the IMF (International Monetary Fund) is quite resistant to it, although, strangely, people like (George) Soros did mention the need to have some regulation of the currency markets.

"But the general feeling among countries that can be subjected to attack is that there should be some regulation. But countries that are rich and do not feel that they are at risk feel that everything is OK and they're making a lot of money." -- BERNAMA

SHY SHY