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Dr Mahathir calls for creation of international currency

Nuraina Samad in Tokyo

PRIME Minister Datuk Seri Dr Mahathir Mohamad has called for the creation of an international currency which belongs to no one country and which can be used for payment of all international trade.

He said earnings in this currency should be immediately deposited with a nation's central bank, and local currency issued for local transactions.

Rates of exchange, he added, should be based on this one currency transaction while the reserves must be held in this international currency only and not a basket of currencies.

Dr Mahathir said this in his keynote address at the Seventh Nikkei International Conference on the Future Of Asia "Beyond Globalism" at the Imperial Hotel yesterday.

The annual conference, organised by the Japanese media group, Nihon Keizei Shimbun, was attended by among others, academicians and journalists.

The Prime Minister said currencies must never be traded as commodities and should there be a need to devalue against this international currency, a panel of central banks and the International Bank should determine the proper exchange rate.

"No country should dominate international finance and commerce," he said.

Dr Mahathir also suggested that in the financial system of a globalised world which is now confined to a free flow of capital, those who profit from such flows must be prepared to pay a global levy based on the GDP of nations.

He said the levy should be for the building of needed infrastructure by international constructors.

He suggested that subcontracts and supplies should come from locals while the benefits would obviously be evenly distributed.

"The infrastructure built will enable products to be exported and imported at lower cost. World trade will certainly grow and poverty eradicated," he said.

But he doubted that the rich would "take kindly to this idea" and added that if they expected that the poor should always accept ideas which benefited the rich, then the rich should also be prepared to accept ideas which benefited the poor, especially when the rich would benefit as well.

Dr Mahathir said globalisation was a great idea whose time had come but "already it has started on the wrong foot".

He said currency manipulations across borders and the economic and financial catastrophes such as those in Orange County, in Brazil, in Mexico, in Russia and of course in East Asia which followed this particular manifestation of globalisation did not augur well for the future of globalisation. "The victims are told it is free trade and therefore it must be good."

Dr Mahathir said in the free market which operates by defeating competition, players must be strong and ruthless to do this well and in this process there were "the mergers of giants and the mergers of the merged giants".

He warned that the world would be badly served by monopolistic giants "which may gang up in order to be even more powerful" and render governments powerless to control them.

Dr Mahathir said the world beyond globalism and globalisation could be

total oppression of the weak by the strong as capitalism ran riot or it could be a world democracy where the resources of the world were combined with human ingenuity to create the greatest human civilisation ever.

The Prime Minister said the world beyond globalism and globalisation depended on how it dealt with globalisation and its effects today as well as with democracy and its excesses.

"Globalisation today ignores the very poor. In a globalised world, wealth should be equally global. But it is not.

"Today democracy still reigns supreme. To criticise it is to be heretical and to expose oneself to vilification.

"But eventually the damage will be so evident and so great that democracy will become a bad word just as proletarian dictatorship is a bad word, and will be rejected," he added.

Dr Mahathir also warned that democracy would go the way of socialism and communism not because it was a bad system but because it kept on being interpreted and embellished.

"At first democracy was only about majority rule. Then minority rights were added, then individual rights. These rights were constantly being broadened so that in the end they became more important than majority rights.

"The Government may be elected by the majority but minorities may bring it down by street violence helped by the media and even foreign interests.

"The Rule of law is advocated but this simply means that those who are opposed to the Government may break the law but the Government may not enforce the law against them."

Responding to questions from the floor later, Dr Mahathir said Malaysia may consider changing the exchange rate of its ringgit if a 20 per cent depreciation or appreciation of the currencies of its competitors became a permanent feature.

Being a manufacturing country, 82 per cent of Malaysia's exports constituted manufacturing goods made from imported components, sometimes as much as 50 per cent content, he said.

"When you devalue the ringgit, the cost of imports would appreciate in terms of the ringgit. So we don't gain anything because the import would be more costly because of the need to import the component," he said.

He said if the ringgit were to be devalued by 20 per cent, this would only give Malaysia a gain of about five per cent because of the need to import a lot of components.

At the same time the gain would be very marginal because the people may demand higher wages as the result of the costlier imported goods and foodstuff.

"Once they ask for higher wages, it would drain totally the gain that we get from the devaluation of the ringgit," said Dr Mahathir who is also the acting Finance Minister.

In view of this, he said, Malaysia was carefully studying the impact of devaluation or revaluation of its currency.

He said Malaysia had no problem in exporting its products because of the depreciating yen and Indonesian rupiah at the moment.

"In fact, we are getting the balance of trade very much in our favour. Our exports exceed our imports at the moment. So there is no reason why we should devalue our ringgit," he said.

The Malaysian ringgit is currently fixed at RM3.80 against one US dollar.

Dr Mahathir said with the ringgit pegged at that rate investors could project their budget for years without worrying about devaluation or revaluation of the ringgit.