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Mahathir-Globalisation

STABILITY IN FINANCIAL MARKET KEY TO A FAIR GLOBALISATION, SAYS PM

KUALA LUMPUR, Nov 3 (Bernama) -- Stability in the financial market will be the key to a globalisation and liberalisation process which will benefit everyone, Datuk Seri Dr Mahathir Mohamad said today.

"We would like to trade more, open up markets and enjoy the higher incomes and increased welfare that globalisation is supposed to deliver. Stability in the financial market is essential for this to be achieved," he said.

He said an international financial system that was fair and rewarded hard work was needed rather than speculative activities that took advantage of the weak and ill-informed.

"Speculation is really not business. It is a kind of gambling. It becomes worse when, in an effort to ensure high returns, manipulative measures are utilised," he said at the inauguration of the Islamic Financial Services Board (ISFB).

A well-administered Islamic financial system would create a better social order while increasing the wealth of everyone, he said.

He said Islamic banking principles required financial transactions to be supported by genuine trade or business-related activities.

As such, financing for non-trade activities such as currency speculation, derivatives and other unproductive financial manipulations were excluded, he said.

Dr Mahathir said the basic tenets of Islamic banking prescribed a financial system that rewards productivity.

He also said that the Islamic financial system was fundamentally based on the absolute proscription or prohibition of the payment or receipt of any predetermined, guaranteed rate of return, which in effect prohibited the concept of interest (usury).

The other prohibition was on excessive profits or profiteering through unprincipled manipulation of prices or supplies, he said.

Dr Mahathir also said that there was a need to develop an international financial regime that promotes more balanced growth, including greater equity in the distribution of income, less disruptive capital flows and relatively more stable financial market.

However, the progress in the international financial reforms till now had been mainly focused on initiatives to encourage the developing countries to adopt international standards and codes, enhance transparency and disclosure of information and promote greater private sector involvement in crisis resolution, he said.

Dr Mahathir said that more importantly, the private sector, including the hedge funds, must be more transparent.

Recent history had shown that hedge funds and corporate America could stray far from ethical paths, he said.

"Unless something is done, more of the newly merged corporate entities are going to fall, dragging down with them other market players," he added.

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