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MAHATHIR-RATES

TACKLE UNCERTAINTY IN EXCHANGE RATES, SAYS DR MAHATHIR

PUTRAJAYA, Jan 10 (Bernama) -- The uncertainty in currency exchange rates which undermines international business and wipes away profits has to be tackled to enable people to trade with greater confidence, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

Given the need for currency stability, he said it should be "something that will give them profits (and) will not suddenly change into a loss simply because somebody fiddled with the exchange rates."

"Perhaps, the world could revise the international financial system for business people to be less exposed to exchange rate risks in their transactions," he said in his address during a presentation of commemorative euro notes and coins by the ambassadors of European Union (EU) countries at his office here.

Spanish Ambassador to Malaysia, Alvaro Iranzo Gutierrez, who is also the current chairman of the EU in Malaysia, presented the new currency to the Prime Minister on behalf of the EU.

Other heads of missions present included the ambassadors of Austria, Denmark, France, Italy, Finland, Germany, Sweden, the Netherlands, United Kingdom, Ireland, Luxembourg, EU Commission official Vasilis Bontosoglou and Spanish Economic Counsellor, Jaime Montalvo.

All EU countries with the exception of the UK, Sweden and Denmark have started using euro notes and coins since the new year.

Dr Mahathir said: "If we are more certain about the exchange rate, international trade will increase because the cost of trade will be less due to the lesser need for hedging."

However, at the moment, any idea about changing the international financial architecture in efforts to curb currency speculation and minimise exchange rate risks would be opposed by certain quarters, he said.

Hence, it resulted in cases like what happened in Argentina, he said.

He said a mechanism to determine exchange rates should have existed long before so that any changes would be due to obvious reasons.

But he said currency traders could even cause the value of currencies to rise or fall and this was not good for trade.

Dr Mahathir also said the international community had rejected any attempt to revise the international financial system and it would be maintained because "somebody was benefiting from it while many countries are suffering and will continue to suffer as long as the system is not changed."

In accepting the presentation of the euro at today's ceremony, the prime minister hoped that the euro would remain stable and that the value of goods bought would reflect the the value of the goods and not what was determined by currency traders or others. -- BERNAMA

SHO SHY/MR