

03/09/1997

Impact of recent measures will be short-term: PM

Hamisah Hamid

PRIME Minister Datuk Seri Dr Mahathir Mohamad says the impact of recent measures introduced to stem out currency and stock manipulation will be short-term.

In the long run, when the country gets over the current crisis, investors will continue to come to Malaysia "simply because it (Malaysia) is good for business", he said during a one-hour live question-and-answer session with Riz Khan on CNN, which was aired over Astro, RTM-1 and Mega TV last night.

Dr Mahathir said the Government has restricted short-selling on the local bourse because it was damaging the economy.

Short-selling is a practice of selling shares for future delivery in the hope of buying them back at a lower price.

Malaysia has been made poorer by almost 20 per cent due to continued manipulation of its currency and stock markets, especially those spearheaded by financier George Soros, he said.

"We cannot have that. So what we have done is to say that if you want to sell, you must have the scrip ready... and not play around any more."

Dr Mahathir fielded numerous questions from viewers throughout the world, through phone calls, facsimile and E-mail.

Noting there is an urgent need to address the current financial problem, Dr Mahathir said the Government will not introduce any more measures as long as the crisis is contained.

He said the Government had to do something because the "dumping" of shares had wiped out about RM500 billion in market capitalisation.

The Prime Minister also said that a country's floating exchange rate should reflect its economic performance; and the influence on a currency's value must be something tangible.

When the economy is doing well, the ringgit should appreciate and if the economy is doing poorly, perhaps it should depreciate, he said.

"What we resent is people manipulating the ringgit in order to make money for themselves and in the process impoverish our people and the people in other countries too.

Earlier, when asked about planned measures against those who undermine Malaysia's economy, he said: "We are not in the position like some big powers to go abroad and arrest people who undermine our economy. But we have some plans to prevent too much manipulation."

Asked by a Hong Kong viewer how he knew for sure that Soros, whom he had described as a moron, was behind the attack on the ringgit, Dr Mahathir said:

"He (Soros) admitted that he was involved. He says, of course, that he is not that much involved. But we know he opened several funds and those funds are being used in order to depress the value of the ringgit and they have started something which has of course been followed up by other funds.

"Otherwise, how would the ringgit be devalued so quickly? Somebody is manipulating it.

"It doesn't happen by itself," he said.

The ringgit has eased by some 15 per cent against the US dollar over the past two months.

The Prime Minister also said that Malaysia sees political stability as a vital ingredient of its economic policies and this has produced the

desired results.

In denying that the current problems could have been caused by over-investment in infrastructure, he said Malaysia has managed to put in place well-balanced economy with trade, for instance, being evenly distributed throughout the world - 18 per cent with the US, 20 per cent with Europe and 22 per cent with Japan.

"So we have a good spread... but a lot of investors came in to buy shares in our market and pushed up prices, and now decided to dump the shares and push down prices.

"...so to that extent, we are very vulnerable to manipulation by certain investors whose main concern of course is to make money for themselves irrespective of what happens to us," he said.

Dr Mahathir also said he might "opt out" of the Asia-Europe summit in London next year if the European Union bars Myanmar from attending.

"We are in Asean and other people outside of Asean cannot dictate to us who should be members of Asean.

"Either you accept Asean as it is or you don't," he said.

"I'm not speaking for Asean by the way. I'm speaking for myself.

"But if I find that other countries are going to dictate to us who should or who should not attend from among us then I think I might opt out," he said.

(END)