

21 SEP 1997

Soros-Mahathir

MAHATHIR'S STATEMENT SHOULD NOT BE TAKEN SERIOUSLY, SAYS SOROS

By: Azman Ujang

HONG KONG, Sept 21 (Bernama) -- US financial speculator George Soros said today that he does not believe the Malaysian government will implement the proposal for a ban on the trading of currencies.

"I don't believe the Malaysian government will implement this policy. It's only a grandstanding statement which should not be taken seriously," Soros told a World Bank seminar here.

The proposal, by Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad, would lead to disastrous consequences, he said.

He described the proposal made yesterday by Dr Mahathir as interfering with the convertibility of capital and this would be a "recipe for disaster."

Soros, at the same time, launched a blistering counter-attack on Dr Mahathir who in recent weeks has been accusing him for being a rogue speculator responsible for the turmoil in Southeast Asian currencies especially the Thai Baht and the Malaysian Ringgit.

The Hungarian-born financier, who controlled investment funds worth hundreds of billions of dollars, also categorically denied Dr Mahathir's allegation, saying he was being used as a "convenient scapegoat" for the failure of Malaysia's own domestic economic policies.

"I have been subjected to all kinds of false and vile accusations by Dr Mahathir. He is using me as a scapegoat to cover up his own failure," he said.

Soros said Dr Mahathir was playing to a domestic audience and blamed the "government-controlled" media in Malaysia as suppressing the freedom of information.

The maverick financier, whom Dr Mahathir had once labelled as a moron, retaliated by saying "Dr Mahathir is a menace in his own country."

Later at a packed press conference, which a World Bank official described as the "best attended press conference" organised by the bank, Soros was asked why he thought he had been the target of Dr Mahathir's attack.

Soros believed this was because Dr Mahathir was advocating Asian values which he said were in conflict with his (Soros's) own philosophy of open society.

"So I think I am a convenient scapegoat. I have not sold any ringgit in the two months preceding the crisis. But obviously our positions were not big enough to affect the market. Otherwise the ringgit would not have gone down as much as it did," he said.

A few times during the news conference, Soros repeated that he was certain his remarks about Dr Mahathir would not reach the local audience in Malaysia as "the media is controlled by Dr Mahathir."

Answering a question, he said the currency and stock market turmoil triggered by the crisis in Thailand was certainly a knock and setback to the much-talked about "Asian Miracle."

Dr Mahathir, in addressing a similar seminar yesterday, said currency speculation was causing anarchy to the financial market and should be made illegal, because speculators were making billions by making developing countries like Malaysia and Malaysians very much poorer virtually overnight.

In a sarcastic tone, Soros said: "I would like to express my sympathy to the poor Malaysians but I have no sympathy for Dr Mahathir."

But he said the turmoil, which saw the ringgit depreciating by 20 per cent against the US dollar and stock prices plunging, would lead to market reforms, adding that he was confident the region would recover.

"There's tremendous energy in the region. I think this is a temporary setback," he added.

Soros said the turmoil made it necessary to put in place some structural changes, particularly in the banking system which he said "is lacking in supervision."

According to him, credit policies had been too lenient in some Southeast Asian countries like Thailand and Malaysia.

"There is a lack of financial information. I think there's lots of lessons to be learnt. I hope for some positive changes," he said.

Asked to give reasons for the problems in the Malaysian economy, Soros said Malaysia had an excessive credit expansion problem.

He said the credit expansion in Malaysia was close to 160 per cent of the gross domestic product (GDP), of which finance company loans made up 57 per cent of the GDP.

This was significantly larger than the total banking debt in most developing countries, including Indonesia.

Over the last three years, the credit boom had averaged 30 per cent annually in Malaysia and that had been generated by Bank Negara, the central bank.

The central bank, he said, had become a net lender from being a substantial net borrower.

"So this is the root of the problems in Malaysia. This is not the case in Indonesia. It has also got to do with the mega projects," he said.

Soros also spoke about Myanmar in replying Dr Mahathir's argument that he was speculating in the currency market to retaliate against Asean's recent decision to admit the Indochina country into the regional grouping despite protest from Western nations.

He confirmed that he had interest in Myanmar but this has nothing to do with financial reasons but only to advocate his open society philosophy.

"I am all for open society, but events in Burma (Myanmar) even after becoming a member of Asean show that the people are being further oppressed especially the pro-democracy activists in the country.

"My interest is for the sake of a global open society, that's all," he said.

Earlier in his speech at the seminar, Soros said autocratic regimes which restricted free speech could not last forever and the moment of truth would come when they failed to sustain prosperity.

"Unfortunately, economic dislocation and decline do not provide a good environment for the development of democratic institutions. So the political prospects for the Asian economic miracles remain cloudy at best," said Soros. -- BERNAMA

AU RM