

PM: M'sia on the road to recovery

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By LIM CHYE KHIM

TOKYO: Malaysia believes it is on the road to recovery following the measures taken to control the movement of the ringgit and curb market manipulation, Datuk Seri Dr Mahathir Mohamad said yesterday.

"We think we are already seeing the economy turning around," he said, adding that the Government's efforts were calculated to achieve all-round stability.

"In business, the most important thing is stability and predictability," he said in his speech on *The Exchange Control Policy of Malaysia* at a luncheon here.

The Prime Minister, who is

on a five-day visit to Japan, said the Government's move would benefit the whole business community, and the only people who would not gain were the currency traders.

"If they lose, I don't think we should be sorry. It is their abuse of the currency exchange which has caused the present economic turmoil in the world," he said.

Explaining the operations of hedge funds, he cited the case of the US-based Long Term Capital Management Fund which, with a capital of US-\$4bil (RM15.2bil), could end up with US\$3.6tril (RM13.6tri) credit through leverage.

He said no central bank could compete with them and defending a currency under at-

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tack was an exercise in futility.

Besides the hedge funds, he said banks were also involved in currency trading.

Dr Mahathir said they had unlimited funds to manipulate the market and would never lose because they could devalue currencies "according to the profit-making plans that their Nobel laureates had designed."

Cautioning that the power wielded by the funds and their managers was real, he said they could, and had, brought down governments.

"With this enormous power, it would be a miracle if they (the fund managers) do not become corrupt.

"This is what Malaysia saw

when we condemned hedge funds and currency trading," he said.

Dr Mahathir said that when Malaysia called for action against currency trading, it had not taken into account the role of the International Monetary Fund.

The IMF was supposed to promote the restructuring of the financial system of developing countries, but the remedy it proposed seemed more likely to destroy rather than improve their economies, he said.

Dr Mahathir said the developing countries had no option other than to comply with the demands of the IMF.

"Between the IMF, the currency traders and the big for-

eign banks and corporations, they would be able to buy up all the worthwhile businesses in developing countries under IMF control.

"Once they have control, it would be an easy matter to strip the assets or refloat the economy and control the countries completely," he said.

Dr Mahathir said Malaysia had appealed to everyone to regulate currency trading but was laughed at "for not understanding the workings of the world financial system, herd instinct, the role of confidence, etc."

Time was running out for Malaysia and it had to act on its own and "the best way was to isolate and insulate the Malaysian currency from the rest

of the world," he said.

Dr Mahathir pointed out that exchange rate control was not the same as control on capital flows.

He said Malaysia was a trading nation and the allegation that Malaysia was isolating itself from the international community was baseless.

Dr Mahathir also hit out at Western detractors and their media who claimed that the beneficiaries of Malaysia's policies were the cronies of the Government.

"The Government has no cronies. We believe in co-operating with the private sector simply because the revenue of the Government largely comes from corporate taxes," he said.