

# Don't spoil if

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## Economy is 'recovering but foreigners may frustrate our efforts'

By SHAMSUL AKMAR

**KUALA LUMPUR:** The drastic economic measures taken by the Government have paved the way for economic recovery but this can be jeopardised by foreign nations hoping to use the issue of Datuk Seri Anwar Ibrahim's sacking to impose economic sanctions on Malaysia.

Prime Minister Datuk Seri Dr Mahathir Mohamad warned yesterday there was a possibility that these nations would use the Anwar issue to frustrate Malaysia's economic recovery.

He said the foreign media was exaggerating the pro-Anwar demonstrations to paint the picture that the Malaysian Government was ugly and oppressive.

"They are finding reasons to take action against us including the alleged oppression on Anwar. This is not planned by Anwar but international opportunists want to take action to stop our success," he added.

He said views to that effect had already been expressed by a senior World Bank official who alleged that the Malaysian Government was trying to silence political dissent.

World Bank chief economist Prof Joseph Stiglitz, in an interview with the Singapore *Straits Times*, picked up by Reuters on Friday, said the Malaysian Government's action might result in investors staying away from Malaysia like what they did against South Africa during the apartheid regime.

He was also quoted as saying that Malaysia could face similar strong actions taken by the world community against South Africa during the apartheid years.

"They hope they could use this, firstly, maybe, in an attempt to defend Datuk Seri Anwar.

"But I think it is more an attempt to make us fail in our efforts to insulate the economy especially measures of capital control and also the action on the CLOB (Central Limit Order Book International)," he said.

CLOB is the over-the-counter trading of Malaysian shares in Singapore unrecognised by the Malaysian Government.

The government, through Bank Negara.

also imposed capital controls and pegged the ringgit at RM3.80 against the US dollar.

At the news conference held at his official residence, Sri Perdana, Dr Mahathir said the economic measures taken by the Government early this month were already showing success.

"We noticed that initial success can be clearly seen although it has been just over three weeks.

"I believe this recovery is not welcomed by the nation's economic enemies and they do not want to see Malaysia become the model for other countries."

The Prime Minister said as a result of the measures taken, Bank Negara's international reserves had increased by almost US\$1bil (RM3.8bil).

"Although I stated yesterday (on Friday) that our trade surplus and our reserves have increased by US\$90mil (RM342mil), the report I received from Bank Negara today shows that our reserves have increased by almost US\$1bil," he said.

The Prime Minister said last August, Bank Negara's international reserves was US\$20.228bil (RM76.866bil) and it had now reached US\$21.191bil (RM80.525bil).

Dr Mahathir also pointed out how those who had criticised Malaysia for blaming hedge fund managers for the economic downturn of Malaysia and other countries, were now changing their tune.

"We have said this much earlier since last

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# US 'now realises evil of currency trading'

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year. But we were accused of not understanding the economy and that we were backward.

"But now, they too are facing similar pressures' from hedge fund activities.

"Today's Financial Times carried a report on "Lessons From Hedge Funds Practice" which pointed out how the activities had caused problems to an American fund company," he said.

Dr Mahathir said the article pointed out how the Long Term Capital Management (LTCM) fund was suffering from huge losses in currency trading.

He said the LTCM had traded almost US\$80bil (RM305bil) and now, since Russia had isolated its currency, their dealings in Russia could not be recovered and they faced big financial problems.

"Now, the US Federal Reserve Bank has to ask other banks to bail out LTCM and these banks have agreed to provide US\$3.5bil (RM13.3bil) for LTCM but the amount is not enough.

"If LTCM collapses, it will have a bad effect on American banks which provided big loans to LTCM. It means banks there may even go bankrupt. But I believe the-US Government will bail out these banks," he said.

Dr Mahathir said they now realised the evil of currency trading and they were now talking about the need to have regulations on such trading.

"We have said it repeatedly but they criticised and ran us down. Now when it hits them, only then they rethink," he said.

The Prime Minister also said the US Government's attempt to bail out LTCM was argued as not being a bailout.

"When they do it, it is not a bailout but when we help (our companies), we help cronies. To them, everything we do in Malaysia is purely to help out, friends.

"Here, we do not bail out individuals but try to improve our economy and all actions bring good to the nation's economy, not to one company.

"But they have concluded, since we are Asians, or Malays