

15 NOV 1998

APEC-NEWS-ANARCHY

ANARCHY STILL PREVAILS IN WORLD FINANCIAL SYSTEM - MAHATHIR

By: Mikhail Raj Abdullah

KUALA LUMPUR, Nov 15 (Bernama) -- Malaysia will not remove currency exchange controls imposed last September as "anarchy" still prevailed in the international financial market, Prime Minister Datuk Seri Dr Mahathir Mohamad, said.

"If we go back, there is no guarantee that we would not be attacked again," he said in view of the lack of any controls over currency speculators despite more than a year since the financial crisis erupted.

"Malaysia cannot wait for this process, for the ponderous movements of the great powers (and) by the time they decide, it would have been curtains for Malaysia," he said when addressing the Apec Business Advisory Council (Abac) summit.

Dr Mahathir said that some "say it is wrong while others say we have already achieved our objective and we should go back now" but there is still anarchy in the financial markets.

"Unless they see their own collapse staring them in the eyes, and they saw this when the Long-Term Capital Management hedge fund failed, they would not do anything.

With the economic slowdown and the ringgit plunging 60 percent against the US dollar, Malaysia slipped into a recession with a 6.8 percent contraction in the second quarter.

Despite pleas to regulate currency traders and hedge funds, there has only been rhetorics but no financial discipline has been forthcoming, which prompted Malaysia to go it alone in imposing selected exchange controls.

Dr Mahathir also said that the furore over Malaysia's selected currency controls imposed last September with accusations Kuala Lumpur was wrong was unreasonable as the measures have not caused anybody any real harm.

Malaysia was too small an economy to have done something that could damage the process of liberalisation and globalisation of the world financial system, he said.

"We are too small. Why not leave Malaysia alone with its idiosyncrasies. If we are wrong, we will pay the price, it would serve as right if we fail. But the world community would have learnt something and be better off for it," he said.

"...I would like to restate that we are not doing anyone any real harm. So leave us to our devices," he said.

Dr Mahathir said: "Our currency controls will remain in place as long as the world refuses to bring order to the financial market."

Malaysia imposed currency controls as currency traders were too powerful and completely irresponsible, he said.

"They don't mind bankrupting countries and regions, impoverishing millions of workers and destroying whole economies in their quest for profits," the Prime Minister said.

Once laughed at for allegedly not understanding the world financial system, "for being in denial, for profligate ways, for building the world's highest building, now the world is beginning to realise that the activities of currency traders can also adversely affect them," he said.-- BERNAMA

MR FR