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PM-EXCHANGE CONTROLS/BM

EXCHANGE CONTROLS TO BE RELAXED IF THERE'S NO MORE SPECULATIVE ATTACKS

KUALA LUMPUR, Dec 31 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today reiterated Malaysia's stand on selective exchange controls and stressed that they will not be relaxed unless there is assurance that the ringgit will not be attacked by speculators.

In delivering his 1999 new year message here tonight, he said Malaysia could not relax the controls unless it could determine through indepth studies on the regulations proposed by developed countries which were members of the Group of Seven.

Malaysia's selective exchange controls were imposed on Sept 1 this year.

Dr Mahathir said although Malaysia should be pleased that its calls for currency speculators be regulated had finally been accepted by developed nations which controlled capital markets around the world, there was also a possibility that these controls would be devised from their point of view.

As such, he said plans by these nations to devise such regulations should not be hurriedly welcomed with a sigh of relief.

The G-7's initiative could be effected more by losses suffered by currency speculators themselves in their gamble and not because of countries being attacked by currency speculators, said Dr Mahathir.

"With that, there is a possibility that they would devise regulations which will save currency speculators from making further losses and not save those which had been attacked," he said.

The prime minister also cited the practice effected by the previous financial administration on Bank Negara Malaysia and the finance ministry to raising interest rates on loans, reducing credit and shortening the period on recognising non-performing loans to three months from six months as advocated by the International Monetary Fund which had caused many banks and companies to be in trouble and almost bankrupt.

If that situation left unchecked, the government would inevitably be affected because tax collection would drop sharply, said Dr Mahathir.

Without selective exchange controls, he said it would be difficult for the government to take steps to rejuvenate the economy and it would also be at the mercy of foreign currency speculators who would not show any concern as they were only profit-motivated.

If aid was sought from the IMF, the government would be forced to allow foreign banks and companies to have a dominant position in the country, he said.

Dr Mahathir said with the selective exchange controls, the nation's economy had shown signs of recovery as reflected in many economic indicators.

The Composite Index of the Kuala Lumpur Stock Exchange had also risen while the country's foreign exchange reserves had risen to US\$25 billion from US\$20 billion previously. -- BERNAMA

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