

22/10/1998

KL capital measures gaining strong support, says PM

Kamarul Yunus

MALAYSIA'S capital controls are gaining increasing support in view of the progress the country had made in responding to the economic crisis, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

"Soon a lot of countries will follow," the Prime Minister told a press conference at his office yesterday.

Japan's influential Vice-Minister of Finance, Mr Eisuke Sakakibara, was the latest in a growing list of government leaders, economists, financiers and bankers who have voiced support for Malaysia's selective capital controls.

The Prime Minister had returned to Kuala Lumpur at 1.30am yesterday after a five-day working visit to Japan.

Dr Mahathir had "shocked" the world with his announcement on September 1 of capital controls aimed primarily at stabilising the ringgit by shutting out currency speculators and manipulators.

Even George Soros, the US financier whom Dr Mahathir had identified as one of the major currency speculators, is coming round to seeing the Prime Minister's views.

"Soros seems to have accepted (my views) and intends to write a book. Many parties are also now condemning currency traders... these were the same people who had earlier blamed Asian governments for the regional crisis," he added.

On remarks by incoming German Chancellor Gerhard Schroeder that there should be some form of limits on financial speculation, Dr Mahathir said this shows that the Malaysian way is gaining wide acceptance.

During his visit to Japan, Dr Mahathir said, he also found that "crony capitalism", which Malaysia and other crisis-hit economies have been accused of practising, is not taken to mean that governments give projects to "friends and cronies".

"I discovered to my horror that cronyism... is not so much about giving chances to friends and cronies. Crony capitalism (is deemed to exist) when western companies cannot participate fully in our economy," he said.

With most Asian economies retaining some form of restrictions on foreign participation in projects, especially the privatized ones, the aim of the West is to get the region to allow their companies, like in South America, to own 100 per cent of the projects, he said.

"What they want is for Asian countries to open up everything to foreigners on grounds that their (Western) companies are the most efficient.

"If we don't open up, to them it is crony capitalism," he said, noting that restrictions in some countries, including South Korea and Japan, are still strong.

For example, even Ford Motor Co, the giant US car firm, was not able to buy over the ailing Kia Motors, which finally went to Hyundai, Dr Mahathir said.

Japan itself does not want to see Americans taking over its companies and Tokyo's restrictions are tighter than Malaysia's, he added.

Dr Mahathir also said Japan had intended to provide up to US\$100 billion (US\$1 = RM3.80) in financial aid to Asian countries affected by the regional crisis but the US thwarted the move because it believed that the International Monetary Fund (IMF) would lose its influence on the recipient countries as a result.

Japan has since proposed a smaller financial package of US\$30 billion to help its Asian neighbours, he said.

The Malaysian Government prefers to provide opportunities, through its privatization programme, to its own people, not to foreigners, unlike "in South America where they (foreigners) could buy over lock, stock and barrel".

"If the Government allows this, Malaysians will (merely) become their (foreigners) workers," he said, adding this is equivalent to being colonised anew.

"We don't want our companies to be taken over, that is why we did not accept IMF aid... one of its conditions is to open up the economy 100 per cent."

Even former US Secretary of State Dr Henry Kissinger had advised US corporations not to buy Asian companies "cheap" and turn them into American institutions.

"Dr Kissinger also said that the regional economic turmoil was not due to poor governance but was caused by currency traders," Dr Mahathir said.

There is unlikely to be any let-up in the pressure to have all Asian countries open up their markets completely, including through the World Trade Organisation, but it will not succeed with Malaysia, he said.

Turning to the domestic scene, the Prime Minister urged the people, particularly Datuk Seri Anwar Ibrahim's supporters, to protect Malaysia's image as a peace-loving nation.

They should behave responsibly and not take to the streets during the Asia-Pacific Economic Cooperation (Apec) Summit on November 14-18, he said.

Dr Mahathir expressed disappointment that the very people who have been demonstrating against the Government were those who had benefited from the country's policies.

He also said he would not be pressured into calling for an early election as it would only serve to "undermine our economic programmes."

(END)