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Mahathir-Economy

MAHATHIR EXPLAINS MALAYSIA'S CONTROL MEASURES TO ASEAN

By: E Sivabalan

HANOI, Dec 15 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today explained how Malaysia's currency and capital controls succeeded in setting its economy back on the road to recovery to other Asean leaders at the Sixth Asean Summit which opened here today.

Saying that what Malaysia has done was merely to insulate itself from the "predatory speculators", Dr Mahathir assured that the Malaysian economy was as open as before.

"Foreign investment can and are coming in, trade goes on undisturbed and profits can be repatriated," he said in his opening statement at the two-day summit here.

He said the Kuala Lumpur Stock Exchange remained open to foreign investors subject only to the retention of investments in stocks for one year.

Dr Mahathir said capitalisation of the share market has doubled since the measures were implemented.

"I would like to point out that currency and the share market were controlled before. We liberalised because we believed in the free market.

"But our liberalism was abused, resulting in economic and financial depression. We have no choice but to reimpose controls," Dr Mahathir said.

He reiterated that until the international community agreed on an international regime that would remove the kind of dangers Malaysia had been exposed to, the country would have to continue with the controls.

Explaining the sequence of events that led to the control measures, he said when the financial crisis began, Malaysia called for regulating the activities of currency traders to prevent Asean economies from rapid impoverishment due to devaluation by currency trading and attacks on the stock market.

He said while capital inflow could promote economic growth and improve the wealth of the people, sudden and massive outflow could destroy whole economies.

"The existing international financial system is not equipped to deal with massive capital flight and the resultant financial and economic turmoil," Dr Mahathir said.

The prime minister said the powers that be preferred instead to blame the governments of the affected countries for all kinds of misdemeanours.

"Instead of reining in the currency manipulators, they allowed them to destroy the economic tigers in order to force them to seek the help and accept IMF (International Monetary Fund) prescribed reforms," he said.

Dr Mahathir said Malaysia could not afford to wait while the developed economies and international financial institutions dawdled.

"We have therefore instituted our own National Economic Recovery Plan. We removed our ringgit out of reach of the currency speculators.

"We also ensured that short selling of our shares and the consequent fall in value was stopped," he said.

The prime minister said: "Relieved of the threat of devaluation and destruction of our economies and banks, we were able to implement measures to revitalise our economy."

He explained that through lowering rates, increasing liquidity, recapitalisation of banks and managing the non-performing loans (NPL) as well as other measures, Malaysia had succeeded in arresting the decline and set the economy back on the road to recovery.

"What we have done is merely to insulate ourselves from the predatory speculators. Otherwise our economy is as open as before," he said.

Dr Mahathir also proposed that Asean countries find a more suitable forum to discuss their needs.

His proposal came ahead of a summit involving leaders of the nine-member grouping and China, Japan and South Korea here tomorrow.

He said while Malaysia welcomed the decision of the Group of Seven (G-7) finance ministers last October to strengthen the international financial system, "they are looking at it from their exalted position."

"Our position may not receive their attention," he said.

Dr Mahathir, who is also First Finance Minister, however did not mention the forum.

He said Malaysia was looking forward to the summit dubbed the Second "Asean + 3" Summit. China, Japan and South Korea are the dialogue partners of Asean.

China will be represented by its vice president Hu Jintao while Japan and South Korea by Prime Minister Keizo Obuchi and President Kim Dae Jung, respectively.

Dr Mahathir said because of the economic weight of China, Japan and South Korea, the policies and measures of the three East Asian countries have significant impact not only on regional but also on the global economy.

He said Malaysia appreciated China's commitment not to devalue its currency, its efforts at economic reforms and domestic growth.

The prime minister said Kuala Lumpur also welcomed the reform being undertaken by Japan of its financial sector and the Japanese package of support measures totalling US\$30 billion to help Asian countries overcome the current economic difficulties.

"The financial turmoil has underscored the many challenges inherent in globalisation. Even as we embrace it, we must be wary of the dangers which accompany it," Dr Mahathir added.

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