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Move to control forex trade a gamble: PBEC

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PACIFIC Basin Economic Council (PBEC) chairman Helmut Sohmen described Malaysia's recent move to impose controls on foreign exchange transactions as a "gamble".

"By introducing controls, I think it is a gamble and I define gamble as a strategy that has more than one potential outcome. Right now, we can only wait and see what happens," he said in a dinner talk organised by PBEC in Kuala Lumpur.

He said Malaysia will have to accept that a reintroduction of controls on exchange rate, lending and decision-making could mean that new investments will be stifled.

Nonetheless, he added, greater stability in one economy can provide greater stability in the other economies as well. "As each economy tries to dig itself out of the hole, we find ourselves indirectly benefiting from each other's initiatives."

Sohmen also said he believed that the International Monetary Fund (IMF) recommendations to help Asia's troubled economies may not have been "totally correct".

"Clearly, American interests played a part in trying to protect the lenders.

"It also showed a degree of ignorance about the economies of East Asia in the sense that it lumped all the countries together. It did not really appreciate the fact that the problems faced by countries in the region is a little different from each other," he said.

He said up to today, economists are still somewhat undecided what the remedy should be to help the respective countries in Asia.

"An adjustment crisis because it now forces many economies and governments to review their set of standards.

"We should also encourage the Government of our home country to show leadership ... that they should not shy away from the underlying problems and weaknesses affecting their economy, but to address them," he added.

Sohmen sees Prime Minister Datuk Seri Dr Mahathir Mohamad as a good example of a leader.

"He has often been criticised for making statements or policies that seem to be running against the grain, but this is exactly what leadership is.

"So far what has happen in Malaysia this week seems to show that despite immediate negative reactions, certain policies can work. There has not been any particular upsets in the financial markets," he said.

Sohmen added that in the present crisis, leaders should concentrate on the essentials and forget all the minor issues.

"Leaders in the world should also get together and work together to tackle problems besetting a country. For example, if Indonesia has a political problem, the world should not go around criticising it, but should get together and support the present Government," he said.

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