

05/09/1998

## Pacific Basin group praises Dr M's strong leadership

Stephanie Rajendram

KUALA LUMPUR, Fri. - The Pacific Basin Economic Council today praised Prime Minister Datuk Seri Dr Mahathir Mohamad for his strong leadership in a time of economic crisis.

Its chairman, Dr Helmut Sohmen, said the most important thing in a situation of crisis was good leadership.

"Leadership as defined by a decision making process that is courageous enough to accept the possibility of error," he said in an interview.

Sohmen was commenting on Malaysia's foreign exchange controls, which he described as a "unique solution for a unique environment."

Founded in 1967, the PBEC, which includes more than 1,200 of the region's most dynamic and important companies, currently has member committees in various countries including Malaysia, Russia, the US and Australia.

Dr Mahathir announced on Tuesday several "shocking" measures to regain monetary independence.

Under the new measures, from Oct 1, the ringgit can be traded only within the country and those holding ringgit in overseas banks have been asked to bring the ringgit back as it would no longer be valid outside Malaysia after the deadline.

Bank Negara then pegged the ringgit to RM3.80 against the US dollar effective last Wednesday.

Bank Negara has also given an assurance that the rate would be changed if there is any structural change in demand and supply.

Sohmen said Dr Mahathir exemplified the notion that a good leader was someone who recognised the way forward, instead of wallowing in a "psychological downward spiral that resulted in a mindset of global doom."

"There is no leadership when everybody is sitting back thinking about the downside," he said adding that this was the scenario in many countries in the region at the moment.

Sohmen however cautioned that exchange control measures should not be viewed as the panacea for all ills.

"It should not set the trend, because exchange controls are interventionist in nature and can best be described as medicine from the poison cupboard."

Drawing an analogy with chemotherapy, which kills the healthy as well as the sick cells, Sohmen said such controls should only be viewed as a short term remedy.

"Like chemotherapy, if used to treat a patient too long it will kill the patient," he said. Foreign exchange controls such as those imposed by Malaysia inhibited free trade.

Sohmen added that such measures went against the grain of an organisation like the PBEC, dedicated to expanding trade and investment by fostering open markets.

Sohmen cited Hong Kong's intervention in the stock market as an example of a "plan not thought of well enough".

"Hong Kong still had other alternatives like accepting high interest rates and introducing administrative rules to reduce the potential for speculative attacks," he said.

Malaysia, on the other hand, must be commended for going down the road of foreign exchange control as it had tried "many different prescriptions".

"Dr Mahathir took the best option available. It was clearly a gamble but what other alternative was there," he asked. At least Dr Mahathir took the initiative to do something where other Asian leaders were doing nothing, he said.

On how long the system should be implemented, Sohmen said that as soon as the system was seen to be effective it should "be rid of" or the negatives of the system would take over.

"With the present measures, Malaysia is cutting itself from the mainstream. So far so good however, as the initial indications are that the controls have been accepted not only by the local financial community but the international financial community as well," he said.

Malaysia he said had "bought itself some breathing space" and with the reduction in interest rates, Malaysia was on the way to "reflating the economy."

(END)