

09/09/1998

PM: BNM moves showing results (HL)

MALAYSIA'S capital controls are showing positive impact on its economy but certain forces in the financial world do not wish to see the country's latest effort bring about recovery, Datuk Seri Dr Mahathir Mohamad says.

"These people are cracking their heads to find ways to frustrate Malaysia," the Prime Minister told a press conference in Bangi, Selangor, yesterday.

"We will see whether (the measures) fail or not," he said when asked to comment on a prediction made by Mr Stanley Fischer, the deputy managing director of the International Monetary Fund (IMF), that Malaysia's capital controls will fail.

Fischer had on Monday called proposals to control currency flows "an extremely retrograde step". The controls imposed by Malaysia, he also said, were bound to fail eventually. If they worked, it would last only in the short term, he had added.

"They probably wish (the measures) would fail. In fact, they will do everything to make them fail," the Prime Minister said.

Dr Mahathir said so far the capital controls announced a week ago, which effectively ended the ringgit's convertibility abroad and left it at a fixed exchange rate against the US dollar, have brought about "very good" results.

"Obviously people have regained confidence, business activities have improved and loans are now available for business people.

"Generally, I think the economy is picking up and I hope this will continue."

Foreign investors, he said, should be very happy with the new policy because now the exchange rate is stable and as such hedging is no longer required.

"In addition, we still allow foreign currencies to flow in and all profits earned by the investors to be expatriated. There are no restrictions on foreigners sending back their profits," he said.

On reports claiming that Malaysia's decision to fix the ringgit's exchange rate against the US dollar at 3.80 would lead to a black market for the greenback, like in Myanmar, he said: "Our situation is different from Myanmar's".

"Firstly, Malaysia's population is small. Secondly, the average income of Malaysians is far better than Myanmar's.

"As such, we (the Government) can control the situation," he added.

Dr Mahathir also recalled an earlier move that served to undermine the Government's efforts to boost the economy. This was when the Government was planning a road tour to raise money abroad to finance local economic activities.

"Moody's (Investors Service) decided to downgrade the ratings on our economy... to make sure that we cannot rescue our banks and our companies," he said.

Earlier, in his keynote address at the Commonwealth Association of Public Administration and Management Biennial Conference, Dr Mahathir said despite its refusal to call in the IMF to take over the running of the economy, Malaysia is "still better off than the other countries under attack by currency traders and stock market raiders".

"We are trying to handle the financial and economic turmoil ourselves - an exercise that involves not just the elected Government, but also the

administration and the public," he said.

Malaysia has lost more than US\$60 billion in gross domestic product terms due to the ringgit's devaluation and almost US\$500 billion on the stock market. "Our companies and banks are in distress. Government revenue will be much reduced".

"This is the scenario in Malaysia today. We are trying to manage a country in deep crisis. Whether we fail or we pull through, we will definitely be providing lessons in governance for everyone," he said in his speech entitled "State of Governance".