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LKY-CONTROLS

M'SIAN CAPITAL CONTROLS DID STOP TYRANNY OF HEDGE FUNDS, SAYS LKY

By: Tham Choy Lin

SINGAPORE, July 16 (Bernama) -- Singapore's Senior Minister Lee Kuan Yew said Malaysia's capital controls are one way of stopping the tyranny of giant hedge funds like those headed by American investor George Soros, the Straits Times reported today.

In an interview with the Japanese-language weekly, Nikkei Business, which was carried by the daily, Lee agreed that that giant hedge funds such as that headed by Soros, which challenged a country's sovereignty or foreign policy policy, were a threat.

But it was possible to shut out such funds by stopping foreign exchange transactions, which Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad did, to prevent those funds from intervening with the Malaysian ringgit, Lee was quoted as saying.

While such a measure could have a negative impact, Lee noted that Dr Mahathir was still in power and the Malaysian economy had not gone bankrupt, said the newspaper.

Lee said that he did not know if foreign investments in Malaysia would decrease in the long term but acknowledged what the country did was one way of stopping the funds' tyranny.

Although there were warnings that foreign capital flows to Malaysia would dry up, Lee said the move on capital controls was a temporary measure to deal with a particular crisis.

Lee said the temporary closing of the financial market was an option for small countries to prevent hedge funds from attacking their currencies.

But, he said, it was hard to imagine a major country like Japan doing the same as it would hurt relations with other industrialised nations and damage its trade and investments seriously, said the newspaper.

In the same interview, Lee also refuted the Western view that globalisation had destroyed Asian values, said the Straits Times.

Lee said what was destroyed were weak Asian systems but the importance of Confucian values, common to China, Japan, Singapore and South Korea, had not been lessened.

Lee said he always defended Confucianism wherever he went, adding that no leading-edge technologies could replace the human relationships that were central to Confucianism. -- BERNAMA

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