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Mahathir-Control

CONTROLS TO REMAIN UNTIL CURRENCY THREATS REMOVED, SAYS DR MAHATHIR

By: Amin Husaini Harun

NEW YORK, Sept 27 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad Monday reiterated that Malaysia will only lift the year-old selective exchange controls after the threat from currency traders against its economy is removed.

Although the Malaysian economy is now stable, there was still the possibility of the currency traders and the highly leveraged funds to attack the country again, he said.

"We will not lift our selective controls until the threat is removed," Dr Mahathir told corporate leaders at a dinner hosted by the Asia Society, here.

In his speech entitled "Financial Stability Through Exchange Controls: Malaysia's Experience", he said that as the Malaysian economy was now stable, there were now calls from various sectors advising Malaysia to lift the controls.

In his reply to such advice, he said: "I am trained as a medical doctor. I not only have to cure my patients but also to advise them not to expose themselves to a recurrence of the disease if possible.

"We are doing quite well and we are not doing any harm to anyone other than the currency manipulators. We only wish the world to know that there are many ways to skin a cat.

"The idea that there is only one way to tackle an economic problem is erroneous. So please leave us and our selective controls alone.

"What people think of us is not important to us. People have never thought well of us at any time. What is important to us is that we do well for our contry and our people," Dr Mahathir said.

The prime minister recalled that when Malaysia imposed the controls, it was vilified and condemned by practically the whole world even to the extent of being called "pariahs, idiots with no understanding of economics and finance".

But he said the comments now were kinder, including admission by its most virulent critics that Malaysia has succeeded in overcoming its economic problems, that its economy is growing again and that some even projected better growth than Malaysia's own projection.

"Now we are being advised to lift controls as we are now stable. We are not about to do so, not unless the world curbs the currency traders and designs an international financial structure that is less liable to abuse by the avaricious," Dr Mahathir said.

He spoke at length on the various measures taken by the government to overcome the severe financial crisis that destroyed the Asian Tiger image of several Southeast Asian economies and South Korea since July 1997.

The financial crisis had cost Malaysia about US\$50 billion in terms of purchasing power of imports and US\$150 billion in market capitalisation, he said.

Malaysia could not afford to have the currency devalued further and the stock market raided, he said, adding that it had to put a stop to the slide, interest rates were lowered and enough money made available to the banks, imports were reduced and exports increased.

"We watched the balance of trade as it turned in our favour." Dr Mahathir said.

He said the current financial turmoil had undone most of the success of the affirmative action taken by the government to address Malaysia's

economic imbalance between the races which caused the 1969 racial riots in Kuala Lumpur.

Dr Mahathir said that if Malaysia had taken the International Monetary Fund (IMF) way, its (IMF) usual uncaring way would have worsened the situation further, resulting in racial riots and prolonged political instability.

He said that since the IMF was not an option for Malaysia, the government had to think of something homegrown, the way for the economy to recover was for the exchange rate of the ringgit to be stabilised.

On the stock market, he said the government had disallowed short-selling as soon as the Kuala Lumpur Stock Exchange (KLSE) came under attack.

It soon became clear that share prices were still being pushed down the way the currency was being devalued.

Dr Mahathir said some "very smart" people with an agenda that went beyond just profit created the now defunct "Central Limit Order Book" (CLOB) market in Singapore, which had never been recognised by the Malaysian government.

He said that to stop CLOB, registration through nominee companies was disallowed. Owners of shares had to register directly with the KLSE and trade in these shares was stopped until the status of these shares could be determined.

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