

27 AUG 1999

MAHATHIR-CONTROLS

CONTROLS WILL STAY, SAYS DR MAHATHIR

KUALA LUMPUR, Aug 27 (Bernama) -- Malaysia's exchange controls will stay as the international financial system has yet to be reformed, Prime Minister Datuk Seri Dr Mahathir Mohamad, said today.

In a scenario where the financial system was still fraught with dangers since unscrupulous currency speculators have yet to be controlled, Dr Mahathir said he strongly believed that "the bombs are still falling."

"Even if the bombs are not falling, the planes are still hovering above us. We still have to be very careful," he said during a breakfast meeting on the Malaysian economy attended by 120 top ranking public and private sector officials including foreign participants here.

Dr Mahathir said that currency trading is 20 times bigger than world trade in goods and services, "but only a few thousand very rich people may make billions for themselves overnight, but hardly anyone gains employment or business opportunities."

"Hedging simply increases the cost of business, but worst of all currency trading has destroyed whole economies of nations and regions, destabilised them politically and have caused untold misery for hundreds of millions," he said.

The Prime Minister said that profits made by the traders were actually a mere fraction of the wealth of nations which they destroyed.

"So, why are we protecting them, why is the group of seven (G-7) industrialised countries so concerned for their welfare that the world's economic recovery has to stall," said Dr Mahathir.

Renowned international economics guru, Professor Paul Krugman, who was also present at the meeting, said he was convinced that a global financial architecture was not going to happen.

"This is quite depressing as I have sat in many working groups on global financial architecture, but nothing seems to have come out of them," he said .

"So, I do not foresee any serious changes taking place, in fact the push for any serious change has faded," said Krugman.

To a question on flushed liquidity throughout the world, Krugman said Asia was no longer a depressed case.

However, he said that liquidity has been flowing into the Asian market faster than expected.

"It has been racing back as if everything has been resolved," he said.

Therefore, with the liquidity rushing back, Malaysia for instance was right in having its selective capital controls in place.--BERNAMA

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