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Mahathir-Vindicated

DR MAHATHIR VINDICATED BY ECONOMIC RECOVERY

By: Muammar Kamaruddin and Wan Nurzila Rahman

KUALA LUMPUR, June 9 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad says he feels vindicated now that the much-criticised capital controls were showing positive results in bringing about financial stability and providing breathing room for Malaysia to haul itself out of recession.

"It is not possible not to feel vindicated, when your arguments which were contrary to the general stand seem to have worked and everybody has admitted that it has worked," he said during a brief interview with business journalist Martin Soong aired over CNBC today.

Dr Mahathir was responding to suggestions that there was a small and growing consensus that Malaysia's capital controls introduced last September were working now as evident by the economic recovery and whether he felt vindicated as a result.

He, however, stressed that "unless the international financial regime was amended in order to prevent the kind of massive raids on developing countries, we will not be able to lift the controls over our currency.

"So, I think the international financial system must be changed because we are not the only ones who are affected," he said when asked whether the controls were temporary measures to achieve financial stability.

Dr Mahathir said: "We are able to cope with it, but a lot of countries have to go through this kind of raids over and over again. Some countries have been attacked two or three times, and that is not good for the world economy."

On whether there could be a situation where he might be willing to forgo calls for a new international financial architecture and exchange them for better corporate governance which the west seemed to be driving at, he said:

"It's not the corporate governance which is the problem, these countries had been governed by the same government (with) the same policies all these years and they have developed very well.

"There are abuses, this of course I don't deny, but it has not prevented them from developing very very fast so much so that they are known as the Asian tigers," he said.

"What is needed really is the change in the so-called international financial architecture, there is no trade-off, it has to be done," he said.

Dr Mahathir had consistently called for the destructive and speculative operations of hedge funds to be curbed.

As to how confident he was controls over currency speculators would be included in the so-called financial architecture, he said:

"I think they will learn their lessons, they learned their lesson when the Long Term Credit Management (LTCM) hedge fund was hammered and Russia had its (economic) troubles."

LTCM, the New York-based hedge fund, collapsed after suffering massive losses in high-risk investments forcing the Federal Reserve to stage a bail-out to the tune of US\$3.5 billion by 14 financial institutions.

"They will learn their lesson that although they are rich, they cannot sell things to poor people because they have made the rest of the world poor," said Dr Mahathir in obvious reference to once prosperous developing East Asian economies devastated by unscrupulous currency speculators and hedge funds.

On whether First Finance Minister Tun Daim Zainuddin could once again

rescue Malaysia's economy after having done so during the recession in the mid 80's, he said:

"I am really confident (of Daim), so far he has done very well and at least, part of the policies have been formulated together with him."

On whether Malaysia could get out of the recession in the second quarter of this year, Dr Mahathir said "lots of people think that we are going to achieve higher growth than we have projected."

"We have projected a one percent growth for this year but a lot of the others have projected growth of up to three percent and they may be right.

"Of course, those figures are very good indeed and we think that achieving one percent growth is not a problem," he said.

-- BERNAMA

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