

30 MAY 1999

Economy-Control

EXCHANGE CONTROL MEASURES HAVE HELPED MALAYSIA'S NEIGHBOURS

KUALA LUMPUR, May 30 (Bernama) -- The economy of Malaysia's neighbours started to recover from financial crisis after Kuala Lumpur introduced exchange control measures on Sept 1 last year, said Bank Negara Adviser Datuk Nor Mohamed Yakcop.

He said there were those who argued that other countries in the region also recovered from the crisis even without imposing such measures.

But they had forgotten that the economic recovery of Malaysia's neighbours was due to the exchange control measures implemented by the Malaysian government, he said in an article entitled "Dr Mahathir Penyelamat Bangsa" (Dr Mahathir, Saviour of the Race) in today's Mingguan Malaysia.

According to him, several months prior to the implementation of the exchange control measures, hedge funds managers and other currency speculators were planning another raid on currencies in the region.

The idea was to weaken further the ringgit to just RM5 to US\$1 and similar action was also taken against the Thai, Indonesian and Korean currencies.

"They gradually put their plan in action. When Malaysia suddenly imposed exchange control measures on Sept 1, 1998, they panicked and started buying back not only the ringgit but other currencies in the region too.

"The important thing was that they were forced to abort their plan and to this day, they dare not make such a raid again," he said.

"I may not be venturing too far if I were to say that the move taken by Malaysia to control foreign exchange had not only rescued Malaysia but also other countries in the region," he said.

Nor said another positive effect of the move by Malaysia to South Korea, Thailand and Indonesia was the attitude of the International Monetary Fund (IMF) and the West.

"For reasons we all know, the IMF and the West did not want Malaysia's exchange control measures to succeed because that would be undermining the credibility of the globalisation policy and free market which they championed," he said.

As such, he said it was vital to them that South Korea, Thailand and Indonesia, which did not imposed exchange control measures but received assistance from IMF, were better off than Malaysia.

"The latest move by IMF to reduce interest rate in the three countries is a proof of this," he said.

He said the exchange control measures implemented by Malaysia had not only saved Malaysia from disaster but also other countries in the region by scaring currency speculators and manipulators apart from pressuring the IMF and the West to take a more accommodative approach in South Korea, Thailand and Indonesia.

The financial crisis was an interesting period because it presented several best qualities of Malaysians to prove to the international community that Malaysia had the ability and capability to withstand shocks and tremors and faced them head-on.

He said Malaysia had succeeded in its economic recovery efforts on the initiative of the people themselves and "we did not receive even a sen from the IMF rescue fund of US\$180 billion."

--BERNAMA

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