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CONTROLS-JAPAN

JAPAN CAN NOW EMPLOY CAPITAL CONTROL AS TOOL FOR ECONOMIC POLICY

KUALA LUMPUR, Sept 23 (Bernama) -- Japan, which has toyed with the idea of capital controls, can now use them as a tool for economic policy following the recent endorsement of such controls by the World Bank, said Asia Times Online.

The endorsement, following the reversal of the bank's opposition to Malaysia's use of selective exchange measures, meant that the international financial community no longer regards the controls and Malaysia's Prime Minister as taboo.

Since conventional wisdom has now accepted capital controls as a legitimate tool in economic policy, it can be used by Asian nations that have not and cannot solve their structural problems without destabilising their societies, said Asia Times.

"We mean, of course, the Japanese," it said in its Sept 21, 1999 article, released by the National Economic Action Council (NEAC) here today.

Asia Times said Japan had contemplated using the controls and had, in highly informal ways, used them.

"But Japan, as a charter member of the international financial community's conventional wisdom, has never formally implemented nor even endorsed them," the magazine explained.

Now that the taboo on capital controls has been removed, Japan can employ them as a conventional tool, said Asia Times, adding: "So can other Asian countries."

Asia Times said in the long run, the change of perception by the international financial community on Prime Minister Datuk Seri Dr Mahathir Mohamad will also bring his other ideas into play.

"Of particular importance is his idea of a regional Asian bloc, excluding the United States, based on the yen and Japan, with capital controls as a regional management tool.

"Neither of these outcomes is intended by the World Bank or the International Monetary Fund (who had also endorsed Malaysia's capital controls), but both are the embodiment of the unintended consequence," Asia Times said.

It added that for many in Japan, who have quietly agreed with Dr Mahathir's ideas, the change in the international economic community's perspective will open the floodgates to the ideas of an East Asian economic bloc.

"Thus, the World Bank and the IMF have effectively handed Asia legitimisation for a regional bloc designed not only to facilitate intra-bloc trade, but also to create regional regulatory bodies to manage the capital flow in and out of the bloc," it said. -- BERNAMA

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