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KRUGMAN-CONTROLS

KRUGMAN SUPPORTS MALAYSIA'S CONTROLS BUT SAYS TIMING WAS OFF

KUALA LUMPUR, Aug 27 (Bernama) -- International economics guru Professor Paul Krugman has come out in full support of Malaysia's capital controls, saying that Prime Minister Datuk Seri Dr Mahathir Mohamad was right in implementing them.

"The timing of the controls was, however, off, he said.

"Everybody made a lot mistakes here, but very few were mistakes of evil intention. But not the International Monetary Fund (IMF), they just screwed up," he said during a press conference after the opening of the seminar on Malaysian Business Forecast here today.

Asked if he expects a large outflow of capital from the country come Sept 1, 1999, he said: "I am not expecting to be alarmed. If there are large outflows in the region of a couple of billion dollars, it should not be alarming as Malaysia is a country which has very large reserves.

"There is no harm in the capital controls, the only harm will accumulate gradually over time. Therefore, come Sept 1, nothing terrible will happen."

Krugman also said the issue of controls in Malaysia was only one of perception.

"If people realise that the capital controls were placed only to curb the inflow of hot money from coming in, then foreign direct investments (FDIs) should begin to flow into the country," he said.

"People should believe that the controls are there just to deal with unwanted hot money," he said.

"Malaysia is still basically a favourable country and is an attractive place for FDIs.

He said: "Malaysia also wants to be part of the global economy and is favourable to globalisation."--BERNAMA

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