

28/09/1999

Leave our capital controls alone, says Dr Mahathir

A. Kadir Jasin in New York

DATUK Seri Dr Mahathir Mohamad told US businessmen and community leaders that Malaysia was not about to lift the selective capital controls despite being advised to do so.

"We are not about to do so, not unless the world curbs currency traders and designs an international financial structure that is less liable to abuse by the avaricious," he said.

He was speaking on "Financial Stability through Exchange Controls: Malaysia's Experience" at the Asia Society dinner at the Waldorf-Astoria Hotel last night.

The Prime Minister said now that Malaysia's economy was on the way to recovery, the Government was being advised to lift the controls.

"I am trained as a medical doctor. I not only have to cure my patients but also advise them not to expose themselves to a recurrence of the disease if possible," he said.

He outlined the various policies and steps, successful or otherwise, taken by the Government to protect the ringgit and the economy since the onset of the attacks on Asian currencies starting with the Thai baht in July 1997.

These included implementing the International Monetary Fund's policy despite not seeking the fund's financial assistance. The IMF policy worsened the situation.

He estimated that Malaysia lost some US\$50 billion (RM190 billion) in purchasing power and US\$150 billion (RM570 billion) in market capitalisation as a result of the attack on the ringgit and on shares on the Kuala Lumpur Stock Exchange.

He said: "The currency traders, the highly-leveraged funds and the possibility of their attacking us are still there. We will not lift our selective controls until the threat is removed."

Dr Mahathir said when the controls were imposed in the last month of the third quarter of 1998, it was too late to stop the GDP contraction of 6.3 per cent in the last quarter.

But by the first quarter of this year, the contraction had moderated to 1.3 per cent, and in the second quarter a positive growth of 4.1 per cent was achieved.

"When we imposed the controls, we were vilified and condemned by practically the whole world. We were told our economy would be shattered as a black market in foreign currency would undermine our controls.

"We were called pariahs, idiots with no understanding of economics and finance," said the Prime Minister.

Now, he said, the comments were kinder. Even the most virulent critics admitted that Malaysia had succeeded in overcoming its economic problems, and that it was growing again.

"We are doing quite well and we are not doing any harm to anyone other than the currency manipulators. We only wish the world to know that there are many ways to skin a cat. The idea that there is only one way to tackle an economic problem is erroneous.

"So please leave us and our selective controls alone. What people think of us is not important to us. People have never thought well of us at any time. What is important to us is that we do well for our country and our people," said Dr Mahathir.

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