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WEF-ECONOMY

NO LIFTING CONTROLS AMIDST ECONOMIC REBOUND, SAYS DR MAHATHIR

By: Yong Soo Heong

DAVOS, Jan 29 (Bernama) -- Malaysia is bouncing back from the brink and sees no reason to remove selective exchange controls now that they have worked well for the country, Prime Minister Datuk Seri Dr Mahathir Mohamad said Friday.

"But I must admit that as a small trading nation, the extent it bounces back depends on the world economy," he told a luncheon address along the sidelines of the annual World Economic Forum (WEF) here.

He added, "We will not recover fully if the world does not recover, and it will not recover if it (the world) regards capitalism as a religion."

"The controls will therefore remain in place until the international community devises a new financial regime which curbs the activities of currency traders," he said.

In an upbeat mood on the state of the country's economic recovery, Dr Mahathir, in his keynote address which was themed, "Malaysia: Bouncing back from the brink", said the results had been very gratifying since the country imposed exchange controls.

Saying that the country was almost on the verge of bankruptcy at one time, the prime minister proudly told the gathering that businesses had been revived and were doing fairly well.

Share prices had gone up and non-performing loans (NPLs) had been reduced with banks and companies becoming healthy again.

Property and motor vehicle sales had shot up and other indicators were showing that the economy was recovering.

For instance, at the time when the controls were imposed, the Kuala Lumpur Stock Exchange's Composite Index (KLCI) had slipped to 260 points from 1,200 points.

But the KLCI had recently risen to about 600 points and companies were now able to borrow again and businesses had been revived, the prime minister told his audience which comprised top business leaders and academicians.

Dr Mahathir also said interest rates in the country had been lowered now that its currency was free from the threat of devaluation by currency traders while the return of the ringgit from abroad had helped to increase liquidity.

An asset management company (Pengurusan Danaharta Nasional Bhd) had bought the NPLs while a special purpose vehicle (Danamodal Nasional Bhd) had been set up to recapitalise weak banks.

The repatriation of the ringgit had also enabled the country to recapitalise banks and purchase NPLs without foreign loans while retrenchment had been minimal, said Dr Mahathir.

Inflation in the country was around 1.5 percent above the average yearly inflation rate and there was no shortage of food and medicines.

Foreign reserves had also risen by 35 percent within a period of four months to US\$27 billion, which is equivalent to sustaining five months of retained imports from US\$20 billion previously.

Dr Mahathir also said that when Malaysia introduced the selective controls on Sept 1 last year, there was almost universal condemnation.

"We were told that we would fail or at best the relief would be temporary. The international media as usual accused the Malaysian government of imposing controls to save the cronies and the family members of the prime minister.

They even hinted that the people would rise and overthrow the government," he said.

Dr Mahathir told his listeners that they might not know the truth if they depended on the hostile Western media because their journalists were not above fabricating stories if they were against some party.

"And they don't like countries which refuse to +kowitz+ to them.

In other words, they deny others free speech while they themselves abuse it. We also know of hundreds of cancellations by tourists because Malaysia was described by them as a war zone," the Prime Minister said.

"Power it seems has corrupted the press.

"Ironically in the information age, the only way to get real information is to go see for yourself," he said.--BERNAMA

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