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PM warns of over-optimism (HL)

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KUALA LUMPUR, Fri. - Datuk Seri Dr Mahathir Mohamad said today he was worried Malaysians may already be getting too optimistic now that the economy was on the mend.

The Prime Minister said over-optimism may breed complacency at a time when the nation needed dedication, commitment and perseverance.

Malaysia was not fully out of the woods yet, Dr Mahathir said in his speech at a breakfast dialogue organised by Strategic Intelligence Malaysia at the Palace of the Golden Horses near here.

He said while the important key indicators have turned positive and there has been a return of business, investor and consumer confidence, the country was still vulnerable.

"We will no doubt see modest growth this year, but flaws remain. The fixed exchange rate and selective capital controls have helped provide a conducive environment to kick start the economy and restructure the banking system.

"We have come a long way, but corporate restructuring still leaves much to be desired," he said.

The one-and-a-half hour closed door dialogue was attended by, among others, Education Minister Datuk Seri Najib Tun Razak, Second Finance Minister Datuk Mustapa Mohamed, Bank Negara Malaysia Governor Tan Sri Ali Abul Hassan Sulaiman, Strategic Intelligence Malaysia president Tan Sri Lim Kok Wing and LIN Associates chairman and chief executive officer Tan Sri Lin See-Yan.

Dr Mahathir fielded questions together with Massachusetts Institute of Technology economist Professor Paul Krugman.

The dialogue preceded the one-day Malaysian Business Forecast seminar.

Dr Mahathir said there were no "quick-fixes" to the current problems. "We are realistic enough not to expect them. But the process has been slow and not without pain."

He said a large part of the problem has been the discrepancy between words and deeds.

"Strong resistance from those with vested interests cannot be underestimated. As a democracy, we cannot force people to do what they don't want to do.

"Further, so long as flaws in the international monetary system are not corrected, small nations - like little boats in a turbulent sea - remain vulnerable. We cannot therefore return to the imperfect system."

The Prime Minister said for reforms to be worthwhile, the mindset of the powers that be must change. Any attempt to preserve the rights of a few currency traders, he added, would only negate the results of the reforms.

He said profits made by the traders were actually a mere fraction of the wealth of nations which they destroy.

"So why are we protecting them? Why is the G-7 so concerned about their welfare that the world's economic recovery has to stall?"

On the free market, Dr Mahathir said the country believed in it but "not as an article of faith, not as a religion".

"When the free market was adopted, no one really thought that currencies should be regarded as commodities and traded like coffee beans or wheat. That came much later when the smart people in some financial centres felt that if they can make money, easy money, by selling money in the free market, then why not?"

Dr Mahathir said Malaysia believed the free market has been abused by the currency traders and the short-term capitalists.

He said what Malaysia has done to frustrate the profiteers, the rogue traders and the stock market manipulators "is something that is so obvious that everyone would have resorted to it if not for fear of being labelled heretic and burnt at the international stakes".

"It is of course not as simple as it seems. Prior to this, the nation's strengths and weaknesses in political, economic, financial and social terms were audited and the impacts of the proposed action studied. We devised scores of actions and measures in order to enable the economy to recover and we were gratified that almost as soon as the controls were imposed, the signs of recovery were seen.

"The Kuala Lumpur Composite Index rose immediately and rapidly while the reserves grew as never before."

Dr Mahathir said opportunities abound in Malaysia. "The son of a poor rice farmer has as much chance to become a billionaire as the son of a Prime Minister.

"Discrimination is odious whether in favour or against. Power corrupts but there are still people in this world who regard their mission as sacred enough for them to resist the corruption of power.

"Only those who are weak will assume that all who have power must be corrupt."

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