

19/06/1999

PM: Time not right to lift all capital controls

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KUALA LUMPUR, Fri. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today it was not time to lift all capital controls and refloat the ringgit.

He said Malaysia had always maintained that until the international financial system was amended to prevent raids such as those carried out by currency traders on the country, Malaysia would not be able to lift the controls.

Dr Mahathir, interviewed over CNN's International Biz Asia programme this evening, was asked if it was time to lift all capital controls and refloat the Ringgit.

When told that amending the system could take years as the international community took its time in dealing with such issues, he said: "We are in no hurry. It has not done us any harm at all. We are receiving foreign investment as usual. The stock market is doing well. The economy is recovering so what is the hurry for us."

When asked if it was not contradictory that in one of his books he had said it was time to break down barriers like capital flows, and yet he blamed hedge funds and hot money for the whole (economic) crisis, Dr Mahathir said: "No they are not because there are many interpretations of globalisation and borderless world ... it does not mean that it is only borderless for others to come to your country. It should also be borderless for us to go into their country."

Dr Mahathir was asked on various issues including Malaysia's progress, its corporate debt restructuring, non-performing loans and the Central Limit Order Book.

Asked if he believed the Asian economic crisis was over, he said he did not think so, and that it could very well happen again as the same forces were still around.

"For the moment, of course, because banks are not lending money to hedge funds and people have lost confidence somewhat in the hedge funds, they have to slow down all their activities.

"But if they regain their former strength they can very well restart the whole episode."

On how he would rate the performance of the International Monetary Fund one and a half years after the crisis began, he said: "I used to think the IMF did a good job until they came around here and tried to dole out the same medicine for everyone. Medicine which I thought right from the beginning was not a cure at all.

"So in Asia, certainly I cannot say they have done well at all."

Asked about South Korea, he said the country was recovering by ignoring the IMF as it had not really restructured.

"They have gone on with their chaebols and using their old way of doing business, they have recovered."

On globalisation and if he saw Asia becoming like a European Union and having a single currency, Dr Mahathir said: "Not for a very long time, I don't think we can."

He said this was because Asia's economies were very different and competed with each other.

Asked if it was a possibility and could Japan or China be part of it, he said: "If we are allowed to form the East Asian Economic Caucus, for example, then we could make things more uniform and then we can think

about having a single currency."

On how he saw Asia's role in globalisation and how it could maintain its position as a cheap region for labour, he said Asia was no longer a cheap area for labour as labour costs had gone up but skills had gone up faster than the labour costs and therefore, Asia would be able to compete with greater productivity against Europe or America.

"But the condition is that Asia should be left alone to conduct its own business," he said.

On whether this was being isolationist, he said it was not because everyone had their own way.

On many critics having accused his beliefs as being racist in the sense that he always pitted the East and the West together, Dr Mahathir said: "I have to do this because they keep saying Asians are bad, Asian values are no good.

They are the ones who are racists." They don't look at us as equals. They always say these are Asians, they must be corrupt, they cannot run their governments properly ... and we are just incapable of doing things right.

"I have to reply to them. It appears as if I am replying to them because of them bot being Asian, being Europeans.

"If I am truly racist, I would condemn the Africans and the others and all that but I am not. I am very friendly with the Africans. I am not racist at all".

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