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Mahathir-Controls

MAHATHIR: CAPITAL CONTROLS MUST BENEFIT DEVELOPING NATIONS

By: Mikhail Raj Abdullah

BANGKOK, Feb 11 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that any step taken to curb destabilising capital flows at their source must benefit developing countries especially those affected by the currency crisis.

"We must see whether action taken (to control capital flows) can reduce the risks of developing countries exposed to these kind of destabilising speculative activities," he said after officiating the Malaysian Embassy complex here.

Dr Mahathir was commenting on statements made earlier in the day by United Nations Conference on Trade and Development (UNCTAD) secretary-general Rubens Ricupero that capital controls should also be imposed in the countries from where destructive short-term capital flows originate.

The UNCTAD official had also said that controls in countries whose currencies were attacked by speculators alone were not sufficient, which was why controls in the countries of origin were necessary.

Otherwise, the devastating financial crisis which started in July 1997 would certainly recur, he had said.

"That is something that we need to examine carefully," Dr Mahathir said of Ricupero's suggestion which UNCTAD believes is technically feasible.

The Prime Minister, who was accompanied by Datin Seri Dr Siti Hasmah, is here to attend the 10th UNCTAD conference where he is the first speaker at the first plenary session tomorrow.

He is also expected to attend a working lunch with other Asean leaders as well as hold talks with UN Secretary-General Kofi Annan, who is also here for the conference.

Asked to comment on UNCTAD's suggestion for a supervisory body to regulate hedge funds, Dr Mahathir said that such a body should include participation from developing countries and those affected by the crisis.

"We don't have the chance to participate in these fora such as the Group of 20 (G-20), they seem to want to only get people who can agree with them.

"At that rate, they will never achieve anything (in controlling short-term capital flows), you should find people who are involved, people who are affected by the currency crisis," he said.

When the G-20 was set up at first, he said, there was not a single Asean country included, "only later did they bring in Indonesia and that too not as a single member."

The Southeast Asian group of nations or Asean had expressed their disappointment with the Group of Seven (G-7) industrialised nations for failing to initially include at least one Asean member-country in G-20 which was formed in September last year.

The 10-member Asean grouping expressed their concern to Japan, prompting Japanese Finance Minister Kiichi Miyazawa to promise that the issue would be taken up with G-7.

The G-20 is a mix of seven wealthiest nations in G-7, emerging market economies and two institutional representatives that plays a significant role in the world economy.

The economies include Argentina, Australia, Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, while the institutional representatives come from the European Union (EU) and

International Monetary Fund/World Bank.

Asked what Malaysia expected from the UNCTAD conference, he said that "we will not react first, they will not do anything that will not be to their advantage."

Earlier, in his speech when officiating the embassy complex, he said that Malaysia-Thailand relations had grown closer both bilaterally and within the context of the Asean family.

"We see eye to eye on most issues and generally, two-way ties are improving all the time," he said, adding that Malaysia had learnt a lot from Thailand which has always been an independent country.

The Prime Minister said he was encouraged by the fact that both countries had recovered from the financial crisis very strongly and were now working hard to improve further their respective economies.

"We both believe in developing our economies to achieve prosperity so that the people can enjoy high incomes and be able to have a better way of life," he said.

Dr Mahathir also expressed the hope that with the new complex, more Thais would gain access to Malaysian officials and in the process enhance ties with Malaysia.

Also present at the function were Malaysian Ambassador to Thailand, Datuk Syed Ariff Fadzillah, Foreign Minister Datuk Seri Syed Hamid Albar, Deputy International Trade and Industry Minister Datuk Kerk Choo Ting, embassy officials and foreign dignitaries.

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