

M'sia a good example for the small nations: PM's adviser

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MALAYSIA has shown the world that small countries can retain control over their economic destinies through the measures taken in September 1998 to defeat the currency speculators, said Tan Sri Nor Mohamed Yakcop, special advisor (finance) to the prime minister.

"Among other factors, Malaysia's unorthodox stabilisation measures of September 1998 opened the eyes of the world, that it is possible to prosper without relinquishing the destiny of the nation to the globalisation advocates of the West and the IMF (International Monetary Fund)," Nor Mohamed said at the two-day *International conference on globalisation* jointly organised by the Finance Ministry and the Institute of Strategic and International Studies (Isis) in Kuala Lumpur yesterday.

He said the Malaysian government only took two major measures in September 1998, namely, the ringgit funds of residents in the country were no longer allowed to be lent to non-residents for short-selling, and the exchange rate regime was changed from a floating rate to a fixed rate regime.

Nor Mohamed said that at the end of the day, just one measure — preventing offshore currency manipulators from having access to ringgit funds — was enough to stop the relentless attack on the ringgit by currency manipulators.

He said the second measure, the fixed exchange rate regime, had nothing to do with capital controls or exchange controls. It merely changed the method of quoting the

ringgit exchange rate.

Nor Mohamed said that during the currency crisis Prime Minister Datuk Seri Dr Mahathir Mohamed had micro-managed the economy through his daily meetings with the National Economic Executive Council (NEEC) and saved the Malaysian economy from a downward spiral and revived it to a healthy state.

"But the battle is not over. There are strong indications that the West will use the World Trade Organisation (WTO) to force

the developing countries to liberalise further, even if it creates instability in their financial system," he said.

Nor Mohamed emphasised that Malaysia was not against globalisation *per se*.

He said the local financial sector had long been open to foreign participation, and there had been significant foreign ownership of banking and insurance assets.

"Opening up the Malaysian financial system to further competition, be it in terms of allowing foreign-owned banks already in the country to open branches freely or allowing new foreign banks to operate, or even allowing unlimited equity participation by foreigners in local banks and other financial institutions, will have to be considered in the context of the criteria of sovereignty, prosperity and national stability," Nor Mohamed said.

He said while Malaysia recognised that a country had to give up a degree of freedom in its actions through its involvement with the international community, it saw no reason its financial system should be dictated by "25-year-old dealers" sitting in their dealing rooms in Singapore, Hong Kong or London.

"This concept of the market disciplining the government is fraught with ego, private agenda and greed. What do the 25-year-old forex dealers have that makes them feel that they have better wisdom than the government? The government must at all times have the ability to serve, and protect, its people. And any proposed globalisation measure which involves diluting this ability must be resisted," he said.