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Mahathir-Capital
CAPITAL FLOW IN A VOLATILE ENVIRONMENT

By: Salmu Hashim

NEW YORK, Feb 3 (Bernama) -- Malaysia has suffered less than other countries following the economic downturn in the United States because the country has little difficulty managing its capital flows in its risk-minimal environment.

Prime Minister Datuk Seri Dr Mahathir Mohamad said this here Sunday at a lively World Economic Forum Workshop.

Malaysia's economy has suffered following the recession in the U.S. simply because the U.S. is the country's biggest trading partner, he said, "but we will survive - and when the world learns to manage terrorists, we expect to recover faster than others, God willing."

The prime minister said that it is possible to manage capital flows in a risk averse environment - while the flow may be smaller it is much less disruptive.

In the meantime, Malaysia is injecting government funds, stimulating local investments, maintaining a savings rate of 40 per cent of the Gross Domestic Product (GDP) and borrowing minimally from abroad, he said.

While big businesses do not like government intervention, they pressure their government to globalise and demand international agreements, a rule-based trading system, and government enforcement of treaties and laws.

"Globalisation actually involves more government intervention in business than less," he said at the five-day meeting which ends Monday. Nearly 2,700 business, political and religious leaders from 106 countries are attending the forum held outside Davos, Switzerland, for the first time.

Dr Mahathir, in his usual style, said, "We were told to accept risks, they are good for us. But we see that when risks translate into business disaster, the advocates of risk-taking are quick to ask the government to bail them out."

The U.S., the champion of free trade, has lately bailed out many American multinational companies, especially airlines, following the September 11 attacks by terrorists on New York and Washington, which has further weakened the U.S. economy.

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