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MAHATHIR-CRISIS

DR M: CRISIS BOOSTED MALAYSIA'S CONFIDENCE IN MANAGING ECONOMY

By: Mohamed Kamel Othman

KUALA LUMPUR, Oct 11 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said the 1997-1998 regional financial crisis had boosted Malaysia's confidence in managing its economy and even enabled it to find its own solution to tackle the problems.

"It is something that we learnt," he said in an interview contained in a newly-launched book, "Rewriting The Rules: The Malaysian Crisis Management Model". Excerpts of the book were made available to Bernama today.

Dr Mahathir said unless we know how to handle (the crisis) ourselves, we can go under."

Asked what was the single most important lesson of the crisis for Malaysia, he said it was the ability to "stand on our own".

"That means we have to depend on our own capacity to counter any attack from outside," he explained.

"When we wanted to make decisions to protect our economy, we did an audit of our own strengths and found that we do have a lot of capital in the country. We are one of the world's highest savers. We also did not borrow excessively from abroad."

That, he said, was the difference "between us and Indonesia and Thailand."

Malaysia's approach in tackling its economic woes then was by introducing capital controls, including pegging the ringgit but the move also received a lot of criticisms from skeptics.

The ringgit, which saw sharp movement during the 1997 regional financial crisis, was pegged at RM3.80 to the US dollar. The peg was introduced on Sept 1, 1998 at the height of the crisis.

Dr Mahathir, who has managed to lift the country out of the regional financial crisis through a series of reforms, said: "Today, it may be the currency traders, tomorrow it might be others. And unless we know how to handle ourselves, we can go under."

"That is why we took the stand against globalisation and free trade," said Dr Mahathir, who instituted the selective capital control measures in 1998 to insulate the economy from external pressures.

On the risks of establishing selective capital controls, he said there was the possibility of retaliation whereby countries might refuse to trade with Malaysia or might even apply sanctions.

"They may not accept capital controls, and there are many things that they can do to us. And if we don't have sufficient foreign currency in the country, it may become violating to us."

"For example, a Malaysian importer who wants to buy sugar from other countries needs to buy it with foreign currency. The Central Bank manages foreign currency, and it must have sufficient foreign currency to allow importers to change ringgit to other currencies, as ringgit is not tradable overseas," he said.

Dr Mahathir, who is also the Finance Minister, said that foreign banks and corporations were merging to form bigger corporations and these companies were waiting for World Trade Organisation (WTO) to force (developing) countries to open up their borders.

He said once they came to Malaysia, they would demand new conditions and rights to operate, and even to open branches in the smallest village.

"They are so huge that they have advantages over our local banks. They can afford to lose money here because they are making money elsewhere. But

for our banks, if they lose money, that is the end of it."

In the end, he said the globalisation of businesses was creating huge corporations and Malaysian companies could not compete against them. --

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