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MAHATHIR-BUSINESS

M'SIA EXPERIENCES BUSINESS IMPROVEMENT DUE TO ECONOMIC MANAGEMENT

By: Mahesh Prasad

NEW DELHI, Oct 22 (Bernama) -- Prime Minister, Datuk Seri Dr Mahathir Mohamad, has asserted that Malaysia's management of the economy, which led the country experiencing tremendous improvement in business after pegging its currency, has shown that Asians do not need lessons from Westerners on economic management.

He said that "managing an economy is tougher than just fixing an interest rate."

"You can no longer solve the economic problems by reducing or raising interest rates. Since the last war, prices of all essential commodities have been controlled by the government. The rate of inflation has very seldom risen by more than one percent," he said in an interview with leading financial daily, the Economic Times, during his visit to India earlier this week.

"On the one hand, look at Latin America, where every sort of economic management has been tried out, resulting in hyper inflation. So, we've shown them," he said.

"We have pegged our currency at 3.8 ringgit to a dollar. We've experienced a tremendous improvement in business after pegging the currency. Businessmen favour fixed exchange rates since it rules out activities like hedging, so there's no pressure from the business community to change the fixed rate," Dr. Mahathir said.

In a write-up before carrying the answers to the questions, the paper says "despite western criticism, it is now acknowledged that Dr Mahathir's economic clampdown did save Malaysia from the contagion effect (of the 1997/98 Asian economic crisis) and helped its economy recover faster than many Asian nations.

However, economists like Paul Krugman, who said that capital controls were the best medicine to stop collapse, felt these controls should be temporary and should be lifted once the crisis blew over.

Asked how he saw China's entry into the World Trade Organisation (WTO) and whether it could be "a threat to your businessmen," Dr. Mahathir smiled and said:

"We welcome it. Yes, now China has become a very strong competitor for Southeast Asian countries. China has been drawing many investors. But we see that competition in a positive light," he said.

"China is a big market and Malaysia has products that can be sold to China. And remember, Cina can't produce things like palm oil, timber or very sophisticated electronics," he said. -- BERNAMA

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