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Zeti-Mahathir

M'SIA INDEBTED TO PM IN OVERCOMING FINANCIAL CRISIS, SAYS ZETI

KUALA LUMPUR, Oct 28 (Bernama) -- Malaysia is indebted to Datuk Seri Dr Mahathir Mohamad for his astute leadership in helping the nation overcome the debilitating 1997/98 regional financial crisis, Bank Negara Governor Tan Sri Dr Zeti Akhtar Aziz said today.

"The most significant (feature) of his leadership is in overcoming the crisis...it represents a lasting legacy," she said in her speech at the launching of the International Centre for Leadership and Finance by the Prime Minister here.

Dr Mahathir, who steps down this Friday after 22 years in office, was instrumental in instituting unorthodox capital controls and pegging the ringgit at RM3.80 to the US dollar in September 1998 aimed at insulating the currency and economy from speculative attacks.

He also went against the International Monetary Fund's doctrine practised in Indonesia, Thailand and South Korea and introduced expansionist monetary policies which led to businesses starting up again as against tight monetary policies which prior to that brought business to a standstill.

"This is one debt the country will not be able to pay, Malaysia will always be indebted to you," she said referring to Malaysia's ability to maintain its financial independence and not be placed under IMF stewardship like Indonesia and Thailand.

In Indonesia, tight monetary policies closed businesses and led to a collapse of the economy with millions losing their jobs leading to social strife and riots that killed thousands.

Rogue currency speculators attacked regional currencies starting with the Thai baht on July 1997 and thereafter the ringgit which pushed the ringgit to as low as RM5.20 at one point from a high of RM2.42.

This caused havoc to the financial system especially to importers who had to pay more than 100 per cent of the original costs of their imports while an immense burden was placed on the parents of Malaysian students studying abroad especially in the United States and Britain as the ringgit fell against the major currencies.

Once the peg was fixed, businessmen were more at ease as they were able to work with fixed transaction costs and not having to worry over unexpected increase in costs due to speculative attacks on their currencies.

The ringgit's peg against the US dollar is still in force.

Dr Zeti said that the policies have helped to strengthen the country's economy and put in a "solid and steady foundation."

-- BERNAMA

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