

# PM: No

# capital curbs

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**CARACAS:** Malaysia does not plan to adopt a similar stance as Thailand by imposing capital controls, said Prime Minister Datuk Seri Abdullah Ahmad Badawi.

He said this was because the nation was financially strong after it embarked on measures and a policy of liberalising the financial system to strengthen the ringgit.

Hence, the people should not be concerned over the latest development in Thailand, Abdullah, who is also Finance Minister, told Malaysian journalists when asked on the Thai central bank's move on Monday (Tuesday in Malaysia) to impose capital controls on capital inflows to curb the appreciating baht.

"The people should not be unduly worried by the Thai government's decision as our

financial position is strong," said Abdullah, who was on a three-day visit to Venezuela, which ended Tuesday.

He said there would not be any follow-up action as a result of this latest development but the government would maintain its present stance.

He hoped that the people would continue to have confidence in the present currency and market position in Malaysia, which pointed to strong fundamentals.

Abdullah said the development in Thailand would not have an impact on the Malaysian economy.

Asked on the effects of cheaper Thai exports (due to the depreciation of the baht) on Malaysia exports, he said: "Normally, when the value of a currency drops, exports will be

cheaper but what is important is people import products based on quality and at reasonable price, hence our trade position is good."

He also said Malaysia had always welcomed foreign investment, including in the local bourse.

Minister of International Trade and Industry Datuk Seri Rafidah Aziz said Malaysia had no problem as its currency had a managed flotation mechanism with the ringgit moving within a small margin.

She said the development in Thailand did not signal the beginning of a regional financial crisis as it involved only Thailand's policy on its capital market.

Thailand's decision to impose capital controls drew negative reaction from financial investors and caused the market to fall, said Rafidah, who is part of the prime

minister's delegation here, reports Bernama.

She said Malaysia's trade with Thailand was not affected by latter's action.

However, she said that the Malaysian stock market may gain from foreign investors who withdrew from Thailand and were looking for other lucrative markets.

Imposition of the capital controls caused Thai stocks to spiral to their worst position since the Asian financial crisis, wiping some US\$28 billion (RM99.4 billion) from the market.

Bank Negara Malaysia said Tuesday that capital controls were out of the question. Malaysia imposed a series of capital controls in September 1998 to ward off currency speculators after the ringgit fell against the US dollar, in reaction to the regional financial and currency crisis of 1997/98, when the baht was attacked by speculators.

The capital controls eventually brought about stability to the currency market and enabled the economy to recover.

Malaysia has since dismantled almost all of the capital controls, including removing the ringgit's RM3.80 peg against the US dollar in July last year.