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MAHATHIR-DEVALUATION

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KUALA LUMPUR, SEPT 23 (BERNAMA) -- PRIME MINISTER DATUK SERI DR MAHATHIR MOHAMAD GAVE A REASSURANCE TODAY THAT THE GOVERNMENT WILL NOT DEVALUE THE RINGGIT AS SUCH A MOVE WILL NOT BENEFIT THE COUNTRY BUT WILL EVENTUALLY LEAD TO INFLATION.

HE WARNED BANKERS THEY WOULD ONLY +BURN THEIR FINGERS+ IF THEY STILL BELIEVED THE GOVERNMENT WOULD DEVALUE THE RINGGIT AND MADE SPECULATIONS TO OBTAIN PROFIT.

+AS FAR AS THE GOVERNMENT IS CONCERNED, WE WILL NOT DEVALUE BECAUSE IT WILL NOT GIVE US ANY BENEFITS, AS IT MEANS WE HAVE TO FIND MORE RINGGIT TO PAY OUR DEBTS,+ HE TOLD REPORTERS AFTER OPENING A TWO-DAY SEMINAR FOR MPS AT THE UMNO COMPLEX HERE.

DATUK SERI DR MAHATHIR SAID THAT EVEN NOW WITHOUT DEVALUATION, THE COUNTRY HAD TO FIND 60 PERCENT MORE OF THE RINGGIT TO REPAY LOANS DENOMINATED IN YEN

HE WAS COMMENTING ON THE ASSURANCE GAVE BY DEPUTY PRIME MINISTER ENCIK GHAFAR BABA LAST SUNDAY IN KLANG THAT THE GOVERNMENT HAD NO INTENTION TO DEVALUE THE RINGGIT. -- MORE
1224MST 23 09 86

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DATUK SERI DR MAHATHIR SAID THAT AS MORE RINGGIT WERE REQUIRED TO REPAY LOANS, DEVALUATION OF THE RINGGIT WOULD ONLY MEAN THE GOVERNMENT MUST GET MORE TAXES TO REPAY THE LOANS BUT UNDER THE PRESENT CIRCUMSTANCES IT WAS IMPOSSIBLE TO INCREASE GOVERNMENT REVENUE.

+SO I DONT' SEE HOW DEVALUATION WOULD HELP,+ HE SAID.

THEREFORE, DEVALUATION WAS NOT THE SOLUTION TO THE COUNTRY'S ECONOMY BUT HIGHER PRODUCTIVITY IN EVERY SENSE, QUALITY AND QUANTITY WERE, HE SAID.

+THE POSITIVE EFFECTS OF A DEVALUATION IS TEMPORARY. WITHIN A SHORT WHILE, DEVALUATION BECOMES INEFFECTIVE AS A MEANS OF LOWERING COST BECAUSE THERE WILL BE A DEMAND FOR WAGE INCREASES AND SO ON.

+WHAT YOU HAVE WILL ONLY BE INFLATION,+ HE ADDED. -- MORE
1239MST 23 09 86

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THE PRIME MINISTER REGRETTED THAT DESPITE GIVING THEM ASSURANCE AFTER ASSURANCE THE PEOPLE STILL +INSIST THAT WHAT THEY THINK IS RIGHT+.

ON THE GOVERNMENT'S MOVE TO RELAX THE RULES ON FOREIGN EQUITY PARTICIPATION, DATUK SERI DR MAHATHIR SAID THE PROPOSED GUIDELINES ON THE MATTER HAD ALREADY BEEN DRAWN UP AND WOULD BE FINALISED AND APPROVED BY THE CABINET AT ITS WEEKLY MEETING TOMORROW.

HE DID NOT PROVIDE DETAILS BUT SAID THERE WOULD BE +VERY RADICAL DEPARTURE+ FROM PREVIOUS PRACTICES IN THE PROPOSED GUIDELINES.

HE SAID THAT IN THE INTEREST OF WEALTH CREATION, IT MIGHT SEEM THAT THE GUIDELINES DID NOT STICK CLOSELY TO THE NEW ECONOMIC POLICY (NEP) BUT HE STRESSED THAT THIS WAS NECESSARY IF THERE WAS TO BE WEALTH DISTRIBUTION UNDER THE POLICY.

DATUK SERI DR MAHATHIR SAID HE WOULD ALSO EXPLAIN THE GUIDELINES TO BUSINESSMEN IN THE UNITED STATES DURING HIS STAY THERE TO ATTEND THE UNITED NATION'S GENERAL ASSEMBLY. -- BERNAMA
1311MST 23 09 86