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Summit-Mahathir

IMF BAILOUT ONLY TO RESTORE INVESTOR CONFIDENCE- MAHATHIR

KUALA LUMPUR, Dec 15 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today the International Monetary Fund (IMF) bailout for several Asian countries is only to restore investor confidence and not to recover their huge losses due to the financial turmoil hitting the region.

"It is obvious that the funding by IMF cannot sustain their losses," the prime minister told a news conference at the end of the Asean Informal Summit here.

Citing an example, Dr Mahathir said Malaysia alone had lost US\$150 billion due to the turmoil " and I should imagine Indonesia, Thailand and the Philippines have lost more."

Asked if he thought the IMF was providing adequate bailout funds to the region's troubled economies, he said the IMF loans were only meant to restore investor confidence.

" I don't know how the money is being expended but it is to boost investor confidence. It is not to recover losses," the prime minister said.

He said the private sector would have no access to loans from the IMF which had committed to provide funds to Thailand, Indonesia and South Korea.

Dr Mahathir said there had been suggestions that the IMF should reconsider some of its proposals it considered essential for the revival of economies.

He said the IMF was looking at the currency problem from the macroeconomic point of view and not from the impact of the measures it imposed on the countries concerned.

"When you push up taxes, the interest rates... and you dry out the credit a lot of companies including good companies will probably fold up," he said.

Dr Mahathir said this would aggravate the situation in those countries.

The Prime Minister said this when asked if there was a need for the IMF to soften its conditionalities when giving out loans to Asian countries in view of their social problems.

Dr Mahathir said the loan taken from the IMF would have to be repaid in local currencies and it may be impossible to raise that amount of money.

He said this was an area for the IMF to look into.

Asked if the United States had sent enough signals to assist Asean nations affected by the financial problems,. Dr Mahathir said,"the impression is that the US is giving support to the IMF ... I don't know if it is financially... but it is morally (supporting the IMF)."

He said any help from the US was welcome.

Asked if Asean leaders discussed the creation of a separate fund other than the IMF to help countries affected by the crisis, the Prime Minister said Malaysia's view was that any such proposal should not be an extension of the IMF. --BERNAMA

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