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IMF loans only as a last resort, says Dr M

Zainon Ahmad in Tokyo

PRIME Minister Datuk Seri Dr Mahathir Mohamad hopes that Malaysia will never have to resort to accepting loans from the International Monetary Fund to resolve its current economic problems which he said was brought about by currency traders.

He said because the people would suffer as a result of the crippling conditions imposed by the international institution, the Government would go to it only as a last resort.

"Well, I cannot discount it 100 per cent but we will resist as much as possible," he told the Nihon Keizai Shimbun (Nikkei) and TV Tokyo Channel 12 in an interview yesterday.

The team of interviewers include Nikkei's staff writers led by their editor, Kiyoshi Hasegawa, and TV Tokyo newscaster Ms Emiko Taguchi. It was held at the Imperial Hotel where the Prime Minister, who arrived from Vancouver yesterday, is staying.

He was responding to a question by Hasegawa whether it was true that Malaysia was going to be the next country for an IMF bailout, in the wake of IMF entry into Thailand, Indonesia and South Korea.

"But the pressure on Malaysia is very great. The currency continues to be attacked along with the stock market," he said later in his speech to about 40 Japanese economist, financiers and industrialists.

The IMF would require that Malaysia opened up its financial market which would result in local banks being bought over by their foreign counterparts. The loss of local banks would weaken Malaysia's ability to institute policy changes.

It would also ask for an increase in interest rates. And this would stifle business as the latter cannot grow with high interest rates. It would also ask for taxes to be increased.

"Now your currency has already gone down and people are poorer and if you have to pay more taxes, then the burden on the people will be even greater."

And all this, he said, was designed to enable the country to pay back its debts to foreign banks and foreign institutions. "The foreign institutions will get back their money but the people will suffer. Even though I don't think it is the intention of the IMF to do this, but the effect is there."

On the Manila Framework, he said generally Apec was supportive of it although Malaysia felt that if the Asian Fund was an attachment to the IMF then it did not contribute to anything.

Malaysia had always thought the Asian Fund be separate so that it would be less restrictive on the countries needing aid and such that it could function effectively.

"But if it is going to be part of the IMF, it is no more than like Malaysia advancing US\$1 billion to Thailand, just to augment the IMF. That will not achieve the purpose," he said.

"We have developed our own country in our own way which is evident of our sense of responsibility for our country. To say that we will be irresponsible if there is a standby fund to support us is to assume that Southeast Asian governments are irresponsible."

On how the devaluation of the ringgit had affected the country, Dr Mahathir said: "When you devalue your currency against such major currency as the US, effectively you are making the people poorer and the country

poorer."

The Malaysian currency, he said, had been said to have gone down by 30 per cent and this had caused the Malaysian purchasing power to have gone down by 30 per cent.

He said: "The per capita income of Malaysians just before this turmoil was US\$5,000. You reduce that by 30 per cent, it comes to US\$3,500. Which means that we have lost US\$1,500 per person.

"In GDP terms, it adds up to US\$30 billion. So our purchasing power has gone down by US\$30 billion per year. Which means it will reduce our capacity to buy from other countries."

It had been estimated that countries in Southeast Asia with Taiwan and South Korea had lost a total of US\$500 billion in purchasing power for goods outside the country - also a world trade loss.

On the GDP, he said the country would achieve seven per cent growth quite easily this year but he predicted that next year would see a lowering of the figure to six or even less.

Most companies were likely to be no longer profitable except for those exporting and they would become more profitable. This would affect government revenue and in the end affect the GDP.

On the Multimedia Super Corridor, he did not think it would be affected as much.

He said: "We will slow down Putrajaya but the first phase will go on. As for Cyberjaya where all the IT and multimedia firms and industries will be located, we will put in all the infrastructure necessary. The rest will come with the investors - foreign as well as local. That will not be affected."

Dr Mahathir said the measures taken to reduce imports were necessary to reverse the present deficit in the balance of payments and also to ensure that the country did not import inflation as well.

"So we must reduce imports as much as possible, not just for reasons of balance of payments but because we do not want imported inflation to affect our economy," he said.

On when Malaysia expected to see "blue skies" again, he said the country would have to watch over the next few months whether the measures taken were effective. "Then we will be able to predict more accurately as when we can see blue skies again," said Dr Mahathir.

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