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KL will continue to resist seeking IMF aid

Kamarul Yunus in Tokyo

TOKYO, Fri: Malaysia will continue to resist seeking financial aid from the International Monetary Fund (IMF) to address the current economic problems so as not to burden the people, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

He said there are three major conditions which will have a bad impact on any country that secures aid from the world's multilateral financial agency.

"I cannot discount 100 per cent (not to seek aid from the IMF) but we will resist as much as possible.

"It is not so much the asking for help from the IMF. It is the conditions the IMF will impose on us," he told Japanese journalists in a special interview with Nihon Keizai Shimbun (a Japanese financial newspaper) and Tokyo's Channel 12 television network, here today.

Dr Mahathir, who arrived here last night for a two-day working visit to Japan, was asked to comment on suggestions that Malaysia will be next in line after Thailand, Indonesia and South Korea to seek aid from the IMF.

The Prime Minister said Malaysia is worried that if it is to secure aid from the agency, the country may have to open up its financial market.

"When we open up our financial market, there is a risk that our banks will be bought over completely by foreign banks because foreign banks are very big.

"We already see it happening in many countries that the moment you open up the financial market, these foreign banks come in and buy up the local banks.

"Then, we have no more local banks and, thus, we cannot make policy changes," he added.

Another condition, he said, is to increase interest rates, which may adversely affect businesses. "That (increase in interest rates) will stifle businesses and they cannot grow."

Apart from these two conditions, Dr Mahathir said, the IMF will also ask for an increase in taxes but as the country is facing a depreciation in its currency, people in Malaysia are becoming poorer.

"If you have to pay more taxes, then the burden on the people will be even greater," he said, adding that all these conditions are designed by the IMF to enable the country (which secures aid from the agency) to pay debts to foreign banks and foreign institutions.

While the foreign institutions will get back their money, the people suffer, Dr Mahathir said.

"I don't think this is the intention of the IMF to do this, but the effect is that," he added.

Dr Mahathir said the region's problems issues will be brought up during the Asean informal summit in Kuala Lumpur next month and during the Asean leaders' meeting with Japanese Prime Minister Ryutaro Hashimoto.

"Obviously, the currency problems will be brought up for discussion. There is also the need for Japan's investment fund and continued support for the industrialisation of South-East Asian nations."

He said the implementation of the Asean Free Trade Agreement, originally scheduled by 2003, may be delayed due to the economic problems faced by the Asean countries.

On the proposed Asian Fund, Dr Mahathir reiterated Malaysia's stand that it should be separate from the IMF.

"We have always been saying that the Asian Fund should be separate (from the IMF) so that it can be less restrictive on the countries in need of aid, then only it will function.

"But, if it is part of IMF, it is no more like Malaysia advancing US\$1 billion to Thailand, US\$1 billion to Indonesia just to augment the IMF. That does not achieve the purpose. This is our view, not of the Manila framework," he said, when asked to comment on the Manila framework on the proposed Asian Fund.

Generally, Dr Mahathir said, the leaders of the Asia-Pacific Economic Cooperation (Apec) countries are supportive of the Manila framework but Malaysia feels that the Asian Fund is just an attachment to the IMF.

"If the Asian Fund is just an attachment to the IMF, then it doesn't contribute anything."

"They (developed countries) say that if you promise support for countries in time of help, then this will encourage them (countries affected by financial problems) to continue doing wrong.

"But we (South-East Asian countries), as you know, have worked very hard on our own. The development of these countries is not due to other people telling us what to do. We developed our own countries in our own way which is evidence of our sense of responsibility to our countries," he added.

At a business dialogue earlier, Dr Mahathir said an IMF bailout "does not guarantee our economic recovery".

"What is certain is that it will restrict our freedom to design and initiate new ways to stimulate FDI in our country and the implementation of new economic policies and strategies."

He said Malaysia has progressed through its own initiative and innovation. Restrictions, therefore, will limit its economic management options.

The Prime Minister explained in the interview Malaysia's proposal for regulation of currency trading, saying that it will be better if such trading is placed under the World Trade Organisation.

"Since currency trading is a trade activity, it should be placed under the WTO so that the currency traders will have to abide by the same rules and laws," he said.

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