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MALAYSIA WILL RESIST IMF'S FINANCIAL AID, SAYS DR MAHATHIR

By: Mohd Fisol Jaafar

TOKYO, Nov 28 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that Malaysia will continue to resist seeking financial aid from the International Monetary Fund (IMF) to avoid putting additional burden on its people already hard hit by financial difficulties.

He said the conditions set out under the IMF bailout plan were not so much directed at helping the distraught economies but were designed to guarantee loan repayments.

In a press interview with Japan's leading financial daily, Nihon Keizai Shimbun, and Tokyo Television network here, he did not totally discount that Malaysia would accept IMF help but said "we will resist it as much as possible."

Dr Mahathir was responding to a question on whether Malaysia would be next after South Korea in seeking the IMF's help in overcoming the currency problem, to which he explained that Malaysia was reluctant because of the repercussion that the IMF's conditions would have on the people and the nation.

"There are three major conditions which would be very bad for any country seeking help from the IMF," said Dr Mahathir, who arrived here last night for a two-day working visit after attending the Asia-Pacific Economic Co-operation Leaders' Summit in Vancouver, Canada.

Firstly, he said a country receiving IMF's assistance would have to open up its financial market and by doing so, it would create a potential risk for local banks to be bought over completely by big foreign banks.

Dr Mahathir said this happened to many countries which had opened their financial markets.

"The moment you open up the financial market, these foreign banks come in and buy up the local banks...then we do not have local banks anymore and we cannot make policy changes," he added in the 40-minute interview at the start of his working programme today.

The Prime Minister said Malaysia was also concerned about the requirements of having to increase interest rates, which he said, would stifle businesses in the country.

The third condition, he added, was that the government would have to increase taxes.

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

Dr Mahathir acknowledged it was not the intention of the IMF to burden the nation and people but the fact was that these conditions would adversely affect Malaysia and its people.

"All these, of course, are designed in order to enable the country to pay the debts to foreign banks and institutions...I don't think it is the intention of the IMF to do this but the effect is this.

"The foreign institutions will get back their money but the people will suffer," he added.

Dr Mahathir was also asked about the forthcoming informal meeting of Asean leaders in Kuala Lumpur next month and the possible agenda during their discussion with Japanese Prime Minister Ryutaro Hashimoto, to which he replied that the region's currency problems would be among the issues.

He said they may also talk on Japanese investments in Southeast Asia and the need to have Japan's continued support for the industrialisation of the region.

Dr Mahathir said because of the common problem faced by Asean economies, the implementation the Asean Free Trade Agreement (Afta) may be delayed from the scheduled target of the year 2003.

On the proposed Asian Fund Facility, he said although Apec leaders generally supported the Manila framework, Malaysia itself felt that if the fund was merely an attachment to the IMF, then it would not contribute anything apart from increasing the size of the fund available in the IMF.

"We have always said the Asian Fund should be separate so that it can be less restrictive on the countries in need of aid...then only it will function," he said. "As it is part of IMF, it is no more like Malaysia advancing US\$1 billion to Indonesia just to augment the IMF. That does not achieve the purpose...that is our view, it is not the view of the Manila framework."

Dr Mahathir said the developed countries' reluctance to approve a separate fund other than IMF's facility was a way of discouraging the affected economies from correcting their mistakes.

But, the Prime Minister stressed that the development of the Southeast Asian economies was not due to other people directing them of how to do things.

"We developed our own countries (through) our own ways, which is evidence of our sense of responsibility to our countries," he said. "To say that we will be irresponsible if there is a standby fund to support us is to assume that Asian governments, Southeast Asian governments, are irresponsible, which is not true."

Dr Mahathir said if the Asian governments were irresponsible, then their countries could never be developed.

The Prime Minister said the governments of these countries were responsible and were concerned about developing their respective countries.

"Noboby asked them to but they are responsible in developing their own countries," he added.

During the interview, Dr Mahathir also elaborated on his proposals for a regulated currency trading.

He said the World Trade Organisation (WTO) was a suitable forum to discuss such a matter as currency trading was also a trading activity, while IMF was a suitable organisation to supervise currency trading after WTO has set the rules.

He said if the WTO set the rules on currency trading, foreign exchange traders would not be able to avoid from abiding them since every country would be committed to a common regulation.

Dr Mahathir said among the rules that could be introduced by the WTO are to register all forex traders, to establish a specific foreign exchange trading bourse and to limit the leverage given by banks to currency traders.

Currently, banks could give loans up to 20 times of the currency traders' capital but Dr Mahathir said the WTO should limit the leverage to a maximum of one time over the capital.

Currency traders are estimated to be able to generate US\$3.6 trillion with capital of only US\$180 billion, giving them the ability to influence world forex trading activity.

When asked about his meeting with Taiwanese premier Vincent Siew in Taipei yesterday, Dr Mahathir said it was not a scheduled visit.

"I was flying back from Vancouver (after the Apec meeting) and it so happened that my (commercial) flight had a stopover in Taipei prior to the connection to Tokyo," he said.

While awaiting for the connection, Dr Mahathir said Siew dropped by and they had a brief discussion. He did not elaborate. -- BERNAMA

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