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Mahathir-IMF

M'SIA WILL RESIST IMF'S AID, SAYS DR MAHATHIR

By: Mohd Fisol Jaafar

TOKYO, Nov 28 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia will continue to resist seeking 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 under the IMF bailout plan were not so much directed at helping distraught economies but designed to guarantee loan repayments.

In an interview with Japan's leading financial daily, the Nihon Keizai Shimbun and Tokyo's Channel 12 television network here today, he did not totally discount that Malaysia would accept IMF's help but would resist it "as much as possible."

Dr Mahathir was responding to a question whether Malaysia would be next after South Korea to seek the IMF's help in overcoming problems affecting the ringgit.

He explained that Malaysia was reluctant because of the repercussion 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 summit meeting of leaders of the Asia-Pacific Economic Co-operation (Apec) forum in Vancouver.

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 said in the 40-minute interview at the start of his working programme today.

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

The third condition, he said, 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 said.

Dr Mahathir was also asked about next month's informal meeting of Asean leaders in Kuala Lumpur and the possible agenda for their talks with Japanese Prime Minister Ryutaro Hashimoto.

Dr Mahathir said the region's currency problems would be among the issues for discussion.

He said they may also discuss Japanese investments in Southeast Asia

and the need for 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) by 2003 originally, may be delayed.

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," he said.

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

But, the Prime Minister stressed, 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.

"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," he said.

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

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

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

During the interview, Dr Mahathir also elaborated on his proposals for 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 the IMF was a suitable organisation to supervise currency trading after the 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 registration of all foreign exchange traders, establishment of a specific foreign exchange trading bourse and limiting the leverage given by banks to currency traders.

Currently, banks could give loans up to 20 times 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 estimatedly could generate US\$3.6 trillion with only US\$180 billion in capital, giving them the ability to influence world foreign exchange 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 he was in transit, Dr Mahathir said Siew dropped by and they had a brief discussion.

Dr Mahathir did not elaborate. -- BERNAMA

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