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PM: It's not a painful Budget

Fadzil Ghazali; Hamisah Hamid

PRIME Minister Datuk Seri Dr Mahathir Mohamad, while describing the Budget as "a little uncomfortable", says it will assist Malaysia in reducing the current account deficit, while at the same time woo genuine foreign investors.

Speaking to reporters at the Parliament lobby yesterday, he said this year's budget is unlike previous ones because Malaysia is facing problems related to the currency market turbulence.

"It (budget) is not painful, really. But we have been good for so long. We may feel a little uncomfortable. It is not painful," he said when asked whether this year's budget can be described as "painful".

Dr Mahathir said nonetheless it is clear from what is mentioned by his deputy and Finance Minister Datuk Seri Anwar Ibrahim when tabling the Budget at the Dewan Rakyat that Malaysia's economy is still strong.

"It is clear... that Malaysia's economic fundamentals are still strong. There is no reason why there should be people not having confidence in our economy (to the extent of) causing Malaysia to experience depreciation in its currency," he added.

Dr Mahathir said the Budget should be able to attract genuine investors who want to build plants, produce goods, provide services and establish businesses in the country.

"These investors are not affected. They will continue to have confidence in the Malaysian economy. I have even met investors from Germany and they are happy with their investments in Malaysia," he added.

Dr Mahathir said, however, for those foreign investors who engage in currency and stock trading, they will not be satisfied with the Budget.

Describing them as a short-term investors, he said these businessmen buy shares with the hope of making handsome profits, and then shift their business elsewhere.

"But we really do not care for this kind of investments... of buying shares and dumping them and then taking the capital gains and go off.

"That is not investment. That is really like some kind of speculation and manipulation that we are not interested in. If they do not come, it does not hurt us," he added.

Asked whether the Budget will help address the country's economic difficulties, Dr Mahathir said Malaysia is fully capable of handling the situation.

"But the question of the ringgit's value is difficult for us to control because of the existing currency trading system which is made by these rogue traders who have access to huge amounts of ringgit to sell in the market."

Dr Mahathir said, for example, if they have US\$1 billion, they could borrow a lot more from the banks and with the huge amounts of money they could buy or borrow ringgit owned by foreigners.

These traders will borrow and sell the offshore ringgit at a low price, causing the ringgit value to drop.

Dr Mahathir said the money these traders have is so huge that they can dwarf developing countries' earnings.

"That is the reason behind the drop in the currency value. There is nothing weak in our economy. It is just that they have designed a trading system that allows them to have access to huge amounts of funds to support their efforts to bring down currency of other countries.

"When the currency value drops, they buy it cheap and pay back their loans. Through this they make profits. This is the trading method they designed, where we do not know how they trade and from where they borrow.

"It is not open, and there is no transparency at all. As such they can jeopardise the economy of other nations. They pick initially countries like Mexico, Argentina, Croatia, Italy and South Africa. Now, they are on to Asian countries," he added.

Dr Mahathir said as long as these traders can do this without control, no developing country is safe from them.

They can always take profits they make from one country and use it to manipulate another nation's currency and go on doing so, he said.

On the Government's initiatives to boost exports as measure of reducing the deficit, Dr Mahathir said the pressure to increase exports is the result of these traders' activities.

"It may not be effective because our export products are mainly essential items.

"If they (developed nations) do not buy, the deficit will still be there," he added.

Asked whether the strategy he mentioned would help Malaysia in overcoming the present problem, Dr Mahathir said even though the strategy is there, the rogue currency traders are not bothered.

"They just do not care about our strategy or the real status of our currency and economic fundamentals.

"They pressure the currency because they have a different interest," he added.

Dr Mahathir said even if the strategy is strong and viable, it will not stop these rogue currency and stock traders from continuing with their manipulative activities because they have their own agenda.

On Malaysia's proposals to regulate currency trading activities, the Prime Minister said it will take time to come up with specific regulations and a specific currency market.

Meanwhile, the rogue traders will continue to have the pleasure of doing things as they please.

Dr Mahathir also said although the Budget is aimed at, among other things, reducing the deficit in the country's balance of payments current account, this does not mean that Malaysia is not having a budget surplus.

"In fact, the budget surplus is very high, at RM8 billion," he added.

Asked whether this amount could be used to implement the deferred mega projects, Dr Mahathir said: "Obviously, we have the money to go ahead with the projects. They are almost exclusively infrastructure projects.

"But as you know if I say that we would go ahead when we have the money, immediately this is taken as an excuse to attack the ringgit and make sure that we do not have the money. I do not know what their aim is," he added.

On the country's monetary policies, Dr Mahathir said as spelt in the Budget, the Government is cutting back on various things including expenses and travels.

"We are asking our ministries to cut back on their expenditure, and save on their respective budgets. Even if it is an allocated amount, they have to reduce their expenditure by 2, 3 or 4 per cent," he said.

As for the country's focus on technology, Dr Mahathir said Malaysia has no choice but to move into the sector.

"Already we have shortage of workers. In order to grow the economy and increase the income of our people, we have to turn to information technology (IT).

"This is because IT is knowledge-based and the income, and the value-added, is much greater. Therefore the economy will grow without the need to import more workers. It is almost something that we have no choice but

to do so," he said.

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