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Bank-Governor

AHMAD DON THIRD GOVERNOR TO QUIT IN A ROW

By: Azman Ujang

KUALA LUMPUR, Aug 28 (Bernama) -- Tan Sri Ahmad Mohd Don, whose resignation as Bank Negara governor was announced today, is the country's third top central banker in a row to have resigned in the last 13 years.

Reports of the resignation of Ahmad as well as his deputy Datuk Fong Weng Phak were carried by some foreign news agencies from around noon today but were confirmed at around 6 pm by the Finance Ministry in a statement.

The statement gave no reasons for the resignations of the top two central bank officials.

The confirmation of Ahmad's resignation, which will take effect on Sept 1, ended months of such speculations in the local financial market, speculations which were often denied by Finance Minister Datuk Seri Anwar Ibrahim.

On July 1, Anwar quashed talk that Ahmad was resigning from his position.

" This is the 13th time. Why should we entertain this (rumour), he said in response to questions from reporters.

The speculations became rife following remarks by Prime Minister Datuk Seri Dr Mahathir in June that a tight monetary policy may not be good for the country.

" I do not necessarily endorse Bank Negara's tight monetary policy," he was quoted as saying when asked what he thought of the central bank's policy to maintain high interest rates.

" High interest rates have actually caused the economy to contract" said Dr Mahathir, who openly made known his disagreement with the central bank on interest rate policy on several other occasions in the following months.

Dr Mahathir and Special Functions Minister Tun Daim Zainuddin, who was appointed to the Cabinet in June, have often called for interest rates to be brought down to kick start the economy which has been in the doldrums since the start of the regional economic turmoil a year ago.

A former Bank Negara adviser told Bernama today that Ahmad's insistence on maintaining a tight monetary policy at a time when the economy was contracting rapidly had made his position untenable.

" He as well as his deputy have taken the decision to resign as a matter of principle," said the ex-adviser who spoke on condition of anonymity.

Some analysts said Dr Mahathir's concern about the negative effects of a tight monetary policy had proven to be justified with the announcement by Bank Negara yesterday that the Malaysian economy had contracted by minus 6.8 per cent for the second quarter, from minus 1.8 per cent in the first quarter.

" The job of a Bank Negara governor is a thankless one. This is borne out by the fact that we are seeing one casualty after another," said the ex-adviser.

As he put it: " Some would say that the governor's post is a jinx. It is no easy task managing the country's monetary policy even in the good times, what more during these difficult times."

Although Ahmad was the third governor in a row to quit, each for his own reasons, this was the first time that both the governor and deputy governor have resigned at the same time.

" This is perhaps unprecedented anywhere," said a Finance Ministry

official when asked to comment on the two resignations.

In 1985, Tan Sri Abdul Aziz Taha resigned over differences with the government on lending policies.

He was succeeded by Tan Sri Jaffar Hussein, a managing partner of leading accounting firm Price Waterhouse, who went on record as saying then that he took a huge pay cut to take up the central bank job "as a national service".

But Jaffar, who died of cancer on Aug 11, resigned in the wake of a massive RM15 billion foreign exchange loss suffered by the bank in defending the ringgit.

Ahmad, then managing director of Malayan Banking Bhd, the country's biggest bank, took over from Jaffar and was reported to have said that he took up the job in the national interest.

Assistant governor Datuk Dr Zeti Akhtar Aziz has taken over as acting governor but analysts said she was expected to hold the post for a brief period only pending the appointment of a new governor.

Sources said at least two names have been tipped as the new governor, Petronas president Tan Sri Hassan Marican and Datuk Raja Arshad Tun Uda, who is managing partner of Price Waterhouse.

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