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ANWAR-INTEREST RATES

ANWAR: DOMESTIC LENDING RATES CANNOT BE VERY LOW THAN OFFSHORE DEPOSIT RATES

KUALA LUMPUR, June 1 (Bernama) -- Deputy Prime Minister Datuk Seri Anwar Ibrahim said today the business community must understand that lending rates in the country cannot be very much lower than the offshore deposit rates currently hovering about 20 percent for the ringgit.

"It's very important that people who talk about interest rates know the offshore rates for ringgit," he said, referring to recent high offshore rates.

"If you do not take this into consideration, you are putting the entire financial system at risk because what is stopping people from bringing out our funds?" he told newsmen after opening the third annual Asia Oil and Gas Conferenc hosted by Petronas.

Anwar, who is also finance minister added that the central bank has the option to lower interest rates, but high offshore rates for ringgit deposits must be taken into account in setting interest rates or the financial system could be put in jeopardy.

Asked if interest rates should be lowered he said:"The option must be kept open through the central bank. A rate cut "will affect adversely the currency and inflation."

Anwar also said that the government does not deny the fact that the business community is facing problems.

"When you are in a state of denial, is to deny that we are having problems and assume that nothing is wrong with the Malaysian economy and the economy in the region. Therefore we can proceed to determine whatever, including interest rate, as if nothing has happened.

"Not withstanding that, the policy is of course to ensure credit ease and I personally believe interest rates should be determined by market forces," he added.

He added that Bank Negara Malaysia would issue a detailed explanation today on the current interest rates regime and clear some confusion on the just released gross domestic product (GDP) data.

"I have instructed them (Bank Negara officials) to do so to avoid any confusion," he said.

Referring to the Prime Minister's statement on interest rates on Saturday, Anwar said Datuk Seri Dr Mahathir Mohamad was merely expressing the general concensus of the business community who felt that interest rates were very high at present.

Anwar said: "What is more critical now is the easing of credit. This can be partly resolved by the setting up of the proposed Asset Management Company (AMC).

"The AMC will take over part of the non-performing loans of the country's banks and that should enable commercial banks to disburse loans to the various sectors of the economy.

"We cannot direct the banks as to who or to which selected company they should disburse these loans to. Not every captain of industry or prominent businessman can expect that loans must be disbursed to them because of their position or influence

"I want to say that such a move will be very unwise," he added.

Meanwhile, in his speech earlier, Anwar said there is no reason to doubt that East Asia can rise again in the future provided "we seize the moment to institute long delayed reforms that would rid our economy and political systems of excesses and abuses."

"But the crisis has brought to the fore the issues of good governance and the nurturing of civil society," he said, adding that it is obvious by now that there can be no going back to the status quo ante.

He also said that the economic, political and social changes taking place in the region in the past 12 months has made it "patently clear that business as usual is impossible."

"The people of the region would no longer tolerate the old ways .... they demand greater accountability, transparency and a real say in the decision making process.

"Courage is required, because we may have to inflict further pain on ourselves before we can emerge as a new and vibrant economic entity," he added.

Anwar said the immediate challenge is in finding the best way to restore investor confidence in the region and the need to work together to revitalise regional economies.

"The ongoing restructuring of the Asian economy will surely have a cascading effect on its industries and Asian business organisations need to undergo a dramatic change in order to thrive in the new Asia.

"Corporate Asia's failure to anticipate and manage change is a misadjustment that we surely cannot afford to repeat," he pointed out. --

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