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`Bring back foreign earnings' (HL)

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KUALA LUMPUR, Wed. - Exporters of palm oil, the nation's second largest revenue earner, have been asked to bring back their proceeds from the sale of the commodity to boost liquidity in the domestic financial system.

These earnings should preferably be in denominations which already form part of the "basket of hard currencies" such that they will have a positive impact on the ringgit.

"Be it in US dollars, Deutschmarks or British pounds, ... bring them back," said Primary Industries Minister Datuk Seri Dr Lim Keng Yaik, who suggested that the proceeds be deposited in local banks.

Earlier, Prime Minister Datuk Seri Dr Mahathir Mohamad, when asked to comment on rising interest rates charged by local banks for loans, had said the problem arose when people took their money out of local banks and put it in foreign banks.

"There are many who withdraw from local banks and deposit their money in foreign banks and therefore local banks do not have sufficient funds to meet the demands of borrowers."

Local banks had to borrow from foreign banks which charged high interest rates, he added.

Dr Mahathir said the Government could not interfere because the decision on interest rates was purely a commercial one.

Dr Lim said the repatriation of overseas earnings from commodities would inject at least RM35 billion this year to boost liquidity in the local financial system.

Last year, total earnings from primary commodities, including palm oil, cocoa and tin, was RM34 billion.

"For palm oil alone, earnings can reach RM1.1 billion monthly," he told reporters after hosting Gerakan's Chinese New Year open house at Menara PGRM today.

Heading the list of guests who called on the Gerakan president were Dr Mahathir and his deputy Datuk Seri Anwar Ibrahim.

Dr Lim said with the high prices of the commodities fetched recently, earnings were definitely higher.

"We have spoken to exporters of primary commodities, especially those related to palm oil."

He said the Ministry had taken note of feedback from exporters and had taken steps to ensure their problems were minimised when remitting their earnings.

"One of the frequent complaints forwarded to us was that of problems faced when they (the exporters) convert their foreign earnings into ringgit."

To address this complaint, the Ministry has asked Bank Negara to assist traders in obtaining the best conversion rates as commercial banks will otherwise factor in commissions and other charges that make conversion unattractive.

Reviewing the commodity situation, he said palm oil production was expected to drop to eight million tonnes this year compared with last year's nine million tonnes, mainly due to the El Nino effect and the haze which blanketed the region following forest fires in Indonesia.

On the other commodities, Dr Lim explained that rubber was quoted in Malaysian currency and local exporters were liaising with producers from Thailand and Indonesia to boost earnings.

In describing the timber sector as being in a "sorrowful state," the Minister cited an example whereby sawn timber of the meranti species had remained at about RM2,200 per tonne for the past seven months.

Dr Lim said the Ministry was looking into the feasibility of having timber products, including logs, plywood and sawn timber, quoted in US dollars, Deutschmarks and British pounds.

On the Government's move to encourage the rakyat to `buy Malaysian,' in view of the region's economic problems, Dr Lim said this should not be construed as a form of economic protectionism.

"It is one of the steps implemented in ensuring that we are not affected by inflation, taking into consideration the problems facing the region," the Minister said.

During the open house celebrations, the Gerakan president presented the Prime Minister with a Chinese calligraphy work, which when translated meant As we celebrate the double festival, we stand united in facing challenges.

Dr Lim said even as the community ushered in the Year of the Tiger, it had realised that the festivities could be enjoyed on a moderate scale.

"Have confidence that the nation's economy will recover and together playing our part, it will be sooner and not later," Dr Lim said.

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