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MAHATHIR-INTEREST RATES

DR M AGAIN SAYS THAT HIGH INTEREST RATES NOT SO GOOD FOR COUNTRY

KUALA LUMPUR, June 5 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today a tight monetary policy may not be so good for the country.

"I do not necessarily endorse Bank Negara's tight monetary policy," he said 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," he told reporters on his return from a five-day working visit to Japan. The Malaysian economy saw a negative 1.8 percent growth in the first quarter of this year.

Asked to comment on the seemingly differing view that he and Deputy Prime Minister and Minister of Finance Datuk Seri Anwar Ibrahim have on interest rates, Dr Mahathir said: "There is no difference between me and Anwar. What he has said is what I have told you earlier."

Anwar earlier this week said interest rates must remain firm and their levels ought to be determined by market forces. However, he noted that the business community felt that the existing rates were too high.

Dr Mahathir said effective interest rates and lending interest rates are two different things.

"When interest rates went up to a high of 24 percent in February and subsequently came down to 16 percent, this had alarmed the business community.

"The problem now is how to reduce the cost of funds of banks. We are trying to find a solution so that interbank rates do not affect lending interest rates."

The three-month KLIBOR (Kuala Lumpur Interbank Offered Rate) is currently hovering around 11 percent and Dr Mahathir said such a level is acceptable to the business community.

The Prime Minister also said Malaysia would obtain loans denominated in yen up to the equivalent of US\$1 billion to US\$2 billion.

He said there would be no more borrowings in US dollars because the greenback had appreciated very fast.

"If you borrow in US dollars, you are going to be in trouble. It is better not to do business in US dollars at all if possible," he said.

Dr Mahathir explained that the idea of trading in the currency of trading partners did not receive any objection, especially from Stanley Fischer, deputy managing director of the International Monetary Fund.

Dr Mahathir met Fischer in Tokyo where both attended a symposium organised by the Institute for International Monetary Affairs.

"In fact, there is no currency which can claim to be a world currency," Dr Mahathir asserted, adding that Japan is willing to do business in yen.

-- BERNAMA

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