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Dr Mahathir: Reserves up by RM3.8 billion since last month

KUALA LUMPUR, Sat. - The country's reserves have increased by almost US\$1 billion (RM3.8 billion) since last month, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

The reserves stood at US\$20,228.7 million last month, and have now risen to US\$21,191.2 million, according to a Bank Negara report, he added.

He said this showed that the latest economic measures such as currency control and banning Malaysian shares from being traded on Singapore's Central Limit Order Book International were bearing fruit despite being in force for only slightly more than three weeks.

Dr Mahathir, who is also First Finance Minister, said this, along with figures on the debt situation, represented signs of economic recovery. Elaborating on possible economic sanctions against Malaysia, Dr Mahathir said despite the move to insulate the economy from the currency traders, the country would naturally face problems if there were sanctions.

The way out, the Prime Minister said, was to strengthen the domestic economy. This would depend on peace and stability with the people and businessmen having full confidence in the country.

He said Danaharta would now require an estimated RM5 billion to take over non-performing loans, not RM25 billion as projected earlier.

This was a result of measures like reducing the interest rate and the statutory reserve requirement.

"I believe this recovery is not welcomed by the nation's economic adversaries and they do not want to see Malaysia emulated by other countries."

Dr Mahathir told a Press conference at Sri Perdana that Malaysia's position on hedge funds, which it has raised since last year, was now being echoed by others.

"(Previously) we were condemned by the world and accused of lacking in understanding of the economy, not keeping up with the times, but now we can see that they are also under the pressure of hedge fund activities."

He also referred to an article in the Financial Times today on huge losses incurred by a US hedge fund, Long Term Capital Management LP, in currency trading.

This has compelled the US Federal Reserve to ask banks to bail out LTCM with a US\$3.5 billion package. If LTCM collapsed, it could also bankrupt banks which gave it huge loans, he added.

However, efforts to save the banks would not be regarded as a bailout but a takeover, said Dr Mahathir, adding that if such an attempt were made here, it would be regarded as a move to help out a friend.

According to a news agency report, LTCM has a six-month reprieve as a result of the bailout, but US\$80 billion in investments and its survival was not certain and the fallout from failure could be vast.

The report quoted Tanya Azarchs, a director at Standard & Poor's Rating Group, as saying: "This could start to have a domino effect on US institutions and abroad. There is a real, systemic risk. The Federal Reserve is clearly worried, that is why they got involved."

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