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ECONOMY ALREADY GAINING STRENGTH, SAYS DR MAHATHIR

KUALA LUMPUR, April 14 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad says the Malaysian economy is already gaining its strength with effective interest rates and the tight credit situation easing slightly.

He said "there is even some flow back of funds from Singapore" as opposed to some time previously when Malaysians were shifting funds to foreign banks.

The problems of the economy are not so much "a natural phenomenon, but more on how we manage it," he said when responding to questions on whether the prolonged water crisis and peat fires will affect the government's efforts to revive the economy, by newsmen after his keynote address at the seminar on "Virtual Reality" organised by Universiti Malaysia Sarawak.

He cited how when "we made credit available immediately for the auto sector, the sales of motorcars went up...with sales of Proton cars up by 62 percent in March from the previous month."

The Prime Minister said "when there is a dry-up in the credit (available), the economy will slow down."

On whether the availability of credit to the auto sector would relieve pressure on interest rates, he said "I think so...effective interest rates are coming down."

Actually our interest rates are not very high...it has gone higher a little bit with the base lending rate rising to between 11 and 12 percent."

However, he lamented that "the cost of money has gone up because some Malaysians shifted their money to foreign banks and (consequently), Malaysian banks had to borrow money from foreign banks which involved a cost."

If Malaysians put all their money in local banks, "then there would be no need to borrow from foreign banks...that is why the government appealed to Malaysians not to put their money in foreign banks because you increase cost of money which affects the economy."

Dr Mahathir said that the tight credit situation was easing now.

Asked on the progress of the International Monetary Fund (IMF) study on currency trading, Dr Mahathir said he has received the report from the agency admitting there was a need for some regulation.

They are now thinking into how to implement the regulations, he said.

Asked whether it could be done, he said: "Well it depends...if the developed countries were willing to take action, it can be done."

"But developed countries could possibly not want to take action as their economies are not threatened as ours and they could have actually gained (from currency speculation)...they may not want to take action," he said.

He also said the IMF, in the report, also stated currency trading was a huge industry involving massive amounts of hedge funds as well as funds owned by banks.

Hedge funds alone amount to US\$180 billion worldwide while banks have funds to the tune of US\$23 trillion and "with such huge funds for currency trading, it is difficult for governments like Malaysia to defend itself."

As far as the Malaysian economy was concerned, "we have only about US\$20 billion in reserves," he said.--BERNAMA

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