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Mahathir - economy

ECONOMY GAINING STRENGTH, SAYS DR MAHATHIR

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

He said there was even some flow back of funds from Singapore unlike 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 responding to questions whether the prolonged water crisis and peat fires would affect the government's efforts to revive the economy.

The prime minister was approached by reporters on this after delivering a keynote address at the seminar on "Virtual Reality" organised by Universiti Malaysia Sarawak in Sungai Besi near here.

He cited that when the government made credit available immediately for the automobile sector, car sales went up "with sales of Proton cars up by 62 per cent in March from the previous month."

"When there is a dry-up in the credit (available), the economy will slow down," the prime minister said.

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

The prime minister said Malaysia's interest rates were actually not very high.

"It has gone higher a little bit with the base lending rate rising to between 11 and 12 per cent," he said.

However, he lamented that the cost of money had gone up because some Malaysians shifted their money to foreign banks.

Consequently the local banks had to borrow money from foreign banks at a cost, he said.

If Malaysians put all their money in local banks, then there would be no need to borrow from foreign banks, he said.

"That's why the government appealed to Malaysians not to put their money in foreign banks because you increase cost of money which affects the economy," he said.

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

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

The IMF was now thinking of how to implement the regulations, he said.

Asked whether it could be done, he said: "Well it depends...if the developed countries are 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 said the IMF, in the report, also stated that currency trading was a huge industry involving massive amounts of hedge funds as well as funds owned by banks.

Hedge funds alone amounted to US\$180 billion worldwide while banks have funds to the tune of US\$23 trillion.

The prime minister said: "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, the government has only about US\$20 billion in reserves, he added.-- BERNAMA

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