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Mahathir-Recovery

ECONOMY SHOWING SIGNS OF RECOVERY, RESERVES UP, SAYS PM

KUALA LUMPUR, Sept 23 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today the nation's economy is showing positive signs of recovery and this is evident from the fact that the country's foreign reserves have improved significantly since currency exchange controls were implemented on Sept 1.

"I think the signs of recovery are already there. In the first three weeks of this month, after currency exchange controls were implemented, the country's reserves have gone up by US\$90 million (US\$1=RM3.80)," he said when addressing Chinese community leaders who called on him at the Prime Minister's Department, here.

Dr Mahathir, who is also First Finance Minister, said that the ringgit had begun to flow back into the financial system following the exchange controls which had also stemmed the outflow of the ringgit abroad.

"Now, the money comes in and does not go out," he said.

He said a lot of savings had gone into the country's reserves, as a result of the new measures, which now requires trading to be conducted in foreign currencies.

Dr Mahathir said that goods are exported and sold in US dollar and that the greenback earned is then used to buy goods.

"We are now exporting more than we are importing and as such we have lots of savings that have gone into the country's foreign exchange reserves," he said.

Dr Mahathir also said that Malaysia is more fortunate when compared with her neighbours in that the government did not borrow too much money from outside the country.

"We were very strong economically. The government and the business community in Malaysia did not have to borrow too much money from abroad," he said.

Referring to measures taken to insulate the economy, to protect the ringgit from foreign currency speculators and to curb trading of Malaysian shares on Singapore's Central Order Limit Book International or CLOB, the prime minister said they were all aimed at reviving the economy.

Calling on the business community to seize the opportunities created to get back on their feet he said: "We hope you all can go back to conduct your businesses again. Revive the economy by firstly stimulating the property sector as this (property sector) supports some 150 other connected industries.

"In this way, we can grow internally although we will not grow the way we grew before when share prices spiralled very high," he said.

Dr Mahathir said the Composite Index (CI), the Kuala Lumpur Stock Exchange (KLSE) barometer, will improve but it will not reach the heydays of when the index once hovered around the 1,400 points level.

"It will grow but not so high...it (CI) may never reach the 1,400 points level like before but even if it reaches the 500, 600 or 700 points level, that is good enough.

"So, I hope you will all do what is necessary to revive the economy," he said.

Explaining the events that had led to the fall in share prices and the depreciation of the ringgit which had subsequently led the country into a recession, the prime minister said the government had no choice but to insulate the economy from foreign speculators.

"Every time we tried to help the business sector, the foreigners attacked our currency and share market.

"Because of that, we found it necessary to insulate our economy. Now they cannot attack our currency nor our share market.

"Our currency is now made a domestic currency, it cannot go out and it has no value outside the country.

"As such, currency traders now cannot borrow the money and sell to bring down its value...they cannot do anything now as we have fixed the ringgit at 3.80 to the US dollar," he said.

Dr Mahathir said that businessmen could plan their investments and budget for their businesses, fully aware that the value of the US dollar would remain the same.

He also pointed out that following the pegging of the ringgit against the US dollar, interest rates had come down to more realistic levels.

Base lending rates of commercial banks and financial institutions were now hovering around 8 per cent and this Dr Mahathir said facilitated the borrowing of fresh funds.

"Companies can now borrow money and service their loans," he said, adding that the problem had been taken care of.

Turning to the stock market, Dr Mahathir explained that share prices plummeted partly due to the trading of Malaysian shares on CLOB.

He said trading of Malaysian shares in Singapore was not conducted via the KLSE but through nominee companies on CLOB.

"We have now made it impossible for them (the shares) to be traded in Singapore as we have made these nominee companies illegal," he said, adding that share prices of Malaysian companies succumbed to short selling which resulted in depressed share prices.

"Prices went down so low that it was sometimes not only lower than the share prices of the same companies in Malaysia but they even did not reflect the cash value of the companies themselves," he said.

Saying that counters which once fetched RM10 were now trading as low as 50 sen, Dr Mahathir said it was a ploy by unscrupulous traders to depress the market to a level so low that "the government will be forced to ask for help from the International Monetary Fund (IMF)".

"The IMF will force us to open up the country so that they can come in and buy up all our companies.

"All our companies can be bought by them at a very low price, even the big corporate entities and they will then be in control of the entire economy," he said.

Dr Mahathir said it was for these reasons that trading of Malaysian shares on CLOB was banned and that the move had had its desired results.

"Share prices have improved, despite some political problems here and there, which has not had much impact on the share market and price movements.

"We want to reduce our dependence on Singapore. Singapore has caused us a lot of problems...for instance the island republic offered very high interest rates that lured ringgit deposits across the causeway," he said.

Dr Mahathir said this in turn deprived the local financial institutions of much needed funds to lend out to the business community.

Funds became scarce and this automatically shored up interest rates to a high of 24 per cent for ringgit loans.

"All that has now stopped because of the currency controls," he said.

Dr Mahathir also said that Malaysia wants to reduce its dependency on Singapore ports for the export and import of goods and had encouraged traders to conduct their trade via Malaysian ports.

"We want to promote our ports," he said, adding that Transport Minister Datuk Seri Dr Ling Liong Sik reports to the cabinet, on a weekly basis, the

progress status of each port in the country.

"You would have noticed, he has been visiting one port to another of late," Dr Mahathir said, pointing out to the fact that the government believed in hands-on management.

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