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Camdessus-help

M'SIA DOES NOT NEED IMF PROGRAMMES FOR ECONOMIC RECOVERY: CAMDESSUS

KUALA LUMPUR, Jan 16 (Bernama) -- Malaysia does not need International Monetary Fund (IMF) programmes to help its economy to recover, IMF managing director Michel Camdessus said today.

Nevertheless, he said, given the volatile currency markets and exchange rates, Malaysia needed to continue strengthening its policies on the monetary side to achieve a better policy mix in efforts to secure market confidence.

Speaking at a news conference at the end of a two-day visit here, he said the IMF team, which was here for consultations, would come back in March to further discuss the implementation of the tough measures that Malaysia has taken so far.

Camdessus said Malaysia's financial position was strong and there was no need to raise taxes.

The country's fiscal position was also sufficiently strong, he said.

However, he said, the IMF felt that credit growth in Malaysia had been excessively rapid over the past two years.

"We would like to see some easing on this front," he said.

Camdessus said Malaysia, unlike other countries, was affected by the currency and stock market crisis more due to the contagion effect.

He commended the country's Dec 5 austerity programme as being pre-emptive in avoiding bigger problems ahead.

The contagion effect in South East Asia began last July when Thailand allowed its baht to go on a free float.

However, Camdessus noted that Malaysia's non-performing loans were maintained at "low levels over the past few years."

When asked on the structural reforms that Malaysia could undertake, he said the system of control of prices of goods as well as intervention by the government in certain economic areas, which had served it well in the past, "certainly has to be re-analysed and possibly cancelled."

On the proposed mergers of local financial institutions, he welcomed the move as it would lead to reinforcing their positions and increasing their competitive edge when the local financial market was further liberalised.

Asked by a foreign journalist on IMF's projection of 2.5 per cent for Malaysia this year contained in an interim IMF report, Camdessus, who appeared surprised at the figure, said: "We have no official forecast...not to my knowledge."

"I am sorry to disappoint you. I can see that in your face," he told the foreign journalist at the packed press conference.

Camdessus said Malaysia's growth rate would be slower than last year.

The Malaysian authorities have forecast a growth of between four per cent and five per cent for this year.

Last year's growth was estimated at eight per cent.

Camdessus said he was pretty certain that it would take about two and a half years for the countries in the region to recover back to their high growth in a more sustainable way and eventually put them in a better position.

To a question, he said the IMF was not in the business of bailing out economies but rather "repair the problems so that the boat becomes more solid and continues to serve longer."

He stressed that IMF intervention was accompanied by strong measures to

enable economies to recover and "our policy has been never to rescue shareholders."

Asked what was the response of Prime Minister Datuk Seri Dr Mahathir Mohamad and his deputy, Datuk Seri Anwar Ibrahim, on the need for further structural reforms, Camdessus said this was not exclusively discussed but then the talks concentrated on him (Camdessus) telling them the reforms being taken by the affected regional economies.

However, he shared Dr Mahathir's view on the need for permanent vigilance and for further pre-emptive steps to consolidate the financial sector.

Camdessus said structural reforms were for governments and central banks to tackle.

Asked how transparent the IMF was and where was the social agenda when it asked countries to undertake economic reforms, he said the IMF was indeed sensitive to social programmes which were critical to maintaining growth and were a powerful means to cut down unemployment and reduce poverty.

"Five days ago I was in South Korea to avoid a worker-employer collision and yesterday in Jakarta I pressed the government for more social expenditure, something which commentators of IMF forget to say," he said.

Likening the IMF aid reforms to providing the antidote for ailing economies, he said: "Doctors must be extremely attentive to our head...we are attentive and always adept to changes.

"For years and years, the word social was not part of the IMF's vocabulary...we are the only institution in the world which is reviewed by 182 countries which receive our reports and documents daily."

Turning to interest rates, he said the country's rapid credit growth and the international pressure due to the depreciating ringgit called for rates to be raised.

To this end, he said Bank Negara was ready to go into that direction and bring down credit growth and moderate inflationary pressures as well as support the value for the ringgit.

On the Budget, he said although it need not be adjusted but it needed to be strengthened from time to time and the authorities needed to come up with effective measures, taking cognisance of the problems arising from the currency volatility.

"For example, if inflationary pressures keep on growing and credit expansion is still rapid, it is essential that the monetary policy has to be tightened," he said.

He said the IMF also insisted on the strength of the social tripartite dialogue between the government, private sector and labour union to achieve the desired and best result in the shortest possible time.

"Our work is to help countries to establish confidence among international investors...this is in our chapter but not in whatever miracle way...we help them in their policies and re-establish confidence."

Camdessus said structural reforms were not just to tackle internal economic problems, but equally important was to heal the country from the contagion effect of a sudden downturn in regional economies as was evident in the attack on the Thai baht from July 2.

"IMF programmes are there to shorten the period of adjustments and minimise social cost...without these programmes the poor will have to pay (dearly)," he added. -- BERNAMA

TEAM SHY rn