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Mahathir-Sanctions

FOREIGN NATIONS TRYING TO USE ANWAR'S ISSUE TO FRUSTRATE ECONOMIC RECOVERY

KUALA LUMPUR, Sept 26 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today there is a possibility that foreign nations will use the issue of the sacking of Datuk Seri Anwar Ibrahim to impose economic sanctions against Malaysia to frustrate its economic recovery.

He said that views to that effect had already been expressed by a senior World Bank official who alleged that the Malaysian government was trying to silence political dissent.

A World Bank official, in an interview with the Straits Times in Singapore, picked up by Reuters yesterday, said that the Malaysian government's action might result in investors staying away from Malaysia like what they did against South Africa during the apartheid regime.

The World Bank official also said that Malaysia could face the same very strong actions taken by the world community against South Africa during its apartheid years.

"They hope they could use this, firstly, maybe, in an attempt to defend Datuk Seri Anwar.

"But I think it is more an attempt to make us fail in our efforts to insulate the economy especially measures of capital control and also the action on the CLOB (Central Limit Order Book International)," he said.

CLOB is the over-the-counter trading of Malaysian shares in Singapore unrecognised by the Malaysian government. The government, through Bank Negara, also imposed capital control and pegged the ringgit at RM3.80 against the US dollar.

The views on Malaysia was expressed by World Bank Chief Economist Prof Joseph Stiglitz in an interview by the Strait Times correspondent in Washington in the run-up to the annual meeting of the World Bank/International Monetary Fund there next week.

At the news conference held at his official residence Sri Perdana, Dr Mahathir said that the economic recovery measures taken by the government early this month according to the government's observations, had begun to show signs of success.

"We noticed that initial success can be clearly seen although it has been just over three weeks.

"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," he said.

The Prime Minister said that as a result of recovery measures taken, Bank Negara's international reserves had increased by almost US\$1 billion.

"Although I stated yesterday that our trade surplus and our reserves have increased by US\$90 million, the report I received from Bank Negara today shows that our reserves have increased by almost US\$1 billion," he said.

Last August, Bank Negara's international reserves were US\$20.228 billion and now have reached US\$21.191 billion.

"It can be clearly seen that measures we have taken have already shown early signs of success and we have found, from figures we have received in terms of debts and others, recovery is on its way," he said.

As such, he said, outsiders who do not wish to see us succeed were looking for excuses to take action against Malaysia including action against Anwar which they claimed is authoritarian.

Anwar was expelled from Umno on Sept 3, a day after he was removed as

Deputy Prime Minister and Finance Minister for alleged moral misconduct.

Two men have admitted in court to having been sodomised by Anwar and jailed for six months for committing acts of gross indecency under Section 377D of the Penal Code.

The police however up to now could not produce Anwar in court as his supporters had gathered in large numbers at the court presises.

Dr Mahathir said that although Anwar had not planned for economic sanctions to be imposed against Malaysia, foreign opportunists would like to have such action taken to impede Malaysia's success in implementing measures to revive its economy by exploiting the Anwar issue.

The Prime Minister said he believed that the police had wanted to have Anwar charged in court but this could not be done as Anwar had incited his supporters to hold demonstrations to gain more support so that they could topple the government as what had happened in Indonesia.

Dr Mahathir also drew the attention of the media that Malaysia had identified hedge fund managers since last year as the party responsible for undermining the economy of the country and countries in Southeast Asia and this had now been proven.

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

Dr Mahathir also referred to a report of the Financial Times pertaining to the huge losses incurred by a US hedge fund, Long Term Capital Management (LTCM), in currency trading amounting to US\$80 billion in Russia, causing the Federal Reserve Bank having to ask banks to bail out the LTCM.

The banks came up with US\$3.5 billion to prop up the hedge fund and if the LTCM collapses, it would have disastrous consequences on the banks in the US which had given out the huge loans to the LTCM.

"This means that the banks (in the AS) may also go bankrupt although I believe the US government will rescue (bail out) all the banks," he said.

Dr Mahathir said he was not sure how much leverage the LTCM was allowed but it may be up to 20 times.

But the loans given out to the LTCM had reached US\$80,000 million, more than 20 times, and the hedge fund might not be able to make repayments, he said.

However, efforts to save the banks would not be regarded as a bail-out but a takeover, said Dr Mahathir, adding that if such an attempt were to be made in Malaysia, it would be regarded as a "policy to help out a friend".

Dr Mahathir said that it was only now, after the US had felt the impact of currency trading that they have begun to talk of the need for measures to regulate such activities which had earlier caused destruction to the Southeast Asian economy.

Asked what would happen if economic sanctions were imposed against Malaysia, the Prime Minister said that the nation would have to further strengthen its internal economy and maintain political stability.

Businessmen would also have to have faith in the government's measures to revive the economy which was already showing signs of recovery including the lowering of interest rates to improve liquidity, and enabling businessmen to repay their loans, he added.

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