

18/09/1998

RM11b returned from Singapore (HL)

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KUALA LUMPUR, Thurs. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today about RM11 billion has returned from Singapore since the Government's announcement on Sept 1 that the ringgit will no longer be legal tender overseas from next month.

Dr Mahathir said as a result of this, there was more money in the system, enabling banks to give out loans.

Speaking to reporters after visiting the Hockey Stadium and the National Stadium at Bukit Jalil, Dr Mahathir said the Government could no longer tolerate the actions of Singapore to undermine the Malaysian economy.

"They have siphoned off our money to Singapore. Now they are forced to bring back the ringgit," Dr Mahathir said, adding that now there was a lot of money in circulation.

Dr Mahathir said although Malaysia had in the past tolerated various actions taken by Singapore to undermine the Malaysian economy, it could no longer do so because it was facing economic problems.

"Now we have an economic problem and they continued to do this," he said referring to the high interest rates offered by banks on the island republic for ringgit deposits.

"When we asked them not to, they ignored us; so we took action. Now their ringgit is pinned down and no longer allowed to go out of this country. Their ringgit must be here; if they are not here, they are cancelled. They tend to lose billions of ringgit," he said.

Dr Mahathir, who is also First Finance Minister, said about RM10 billion had been pumped into the system to increase liquidity and enable banks to borrow money for businesses.

"Everytime we reduce the Statutory Reserve Requirement by one per cent, RM4 billion goes into circulation. We have reduced SRR by two per cent and that amounts to RM8 billion."

Bank Negara had reduced the SRR of banking institutions to four per cent from six per cent previously effective yesterday. Dr Mahathir said as there was more liquidity, there was no reason for banks not to lend money. "If the banks do not lend money, we will check on them," he said.

Dr Mahathir, who is also Home Minister, said the memoirs written by Singapore's Senior Minister Lee Kuan Yew would not be banned in Malaysia as it was a free country.

"But you must remember that they are trying to incense the people and to make the people very angry.

"And that will simply make it difficult for us to have good relations with Singapore. Even if (our) leaders want to have good relations with Singapore, the people would not want to," he said.

The memoirs, among others, allege that Malaysia is using its supply of water to the island republic to "bully and intimidate the neighbour".

It also makes various allegations against former Prime Ministers Tunku Abdul Rahman and Tun Abdul Razak as well as other leaders, including former Umno Youth chief Syed Jaafar Albar.

Dr Mahathir said Malaysians could not accept the fact that respected Malaysian leaders like Tunku Abdul Rahman and Tun Abdul Razak Hussein had been vilified in the memoirs.

On the Defence Ministry's announcement that the Republic of Singapore Air Force planes will no longer be allowed to enter the country's air space without clearance from tomorrow, Dr Mahathir said the decision was

permanent.

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