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IMF demands too much (HL)

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PETALING JAYA, Sat. - The International Monetary Fund appears to be insensitive to the social cost of its actions, Datuk Seri Dr Mahathir Mohamad said today, adding that the institution and currency traders are to be blamed for the unrests in Jakarta.

"The IMF is not sensitive to the social cost of economic restructuring ... as if the economy and society have no relationship whatsoever," the Prime Minister said at Sultan Abdul Aziz Shah International Airport on arrival from Khartoum after an eight-day visit to Egypt and Sudan.

During his trip, he also attended the Group of 15 summit in Cairo.

He was referring to the riots in Indonesia over the removal of subsidies for fuel, electricity and transport.

IMF managing director Michel Camdessus said in Melbourne on May 5 that the subsidy cuts were among the suggestions under its programme to restructure Indonesia's economy. He had said that more suffering was inevitable in the reform process.

Asked if the IMF should relax its tight conditions before releasing funds to Indonesia, Dr Mahathir said the organisation should realise that when conditions which stifled an economy were imposed, the people would suffer.

He said in a society which depended on subsidy, the people would in fact need more subsidies when the value of their currency depreciated.

"Under normal conditions, you can reduce subsidies but when the people become poorer and you pull back the subsidies, then you deliberately agitate the people, almost wanting them to react violently. As you can see, the animosity is not just directed at the Government but also traders because they think traders are profiteering."

Dr Mahathir said the situation in Indonesia was regretful, adding that the disgruntled parties should sit down and resolve their differences.

He did not rule out the possibility of more Indonesians leaving for Malaysia.

Asked if Malaysia would still provide the US\$250 million (RM950 million) bridging loan to Indonesia despite the riots in Jakarta, Dr Mahathir said the loan would be given as the Government was obliged to do so.

"We give it to a nation. Obviously, whoever succeeds the Government will have obligations as much as they have obligations to the IMF and other international bodies," he said.

The US\$250 million loan will be given to Indonesia while it awaits the IMF bailout package to be released.

Dr Mahathir said when a country borrowed money and in the event of changes in the Government, the loan would not be written off.

On currency trading, he said he was glad that the Group of 15 leaders had resolved to call for more transparency in currency trading.

"However, much depends on the decisions of the greater economies. At the moment, they are benefiting from currency trading. I don't think they are in a hurry to change the system," he said.

He said, Malaysia and other developing countries must learn to depend on themselves and not on the sympathy of the larger economies.

The G-15 groups Malaysia, Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Jamaica, Kenya, Mexico, Nigeria, Peru, Senegal, Venezuela, Zimbabwe and Sri Lanka.

Meanwhile, Dr Mahathir said Egypt and Sudan were keen to use the ringgit

in trading with Malaysia.

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