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IMF strategies have damaged economy: PM

STRATEGIES recommended by the International Monetary Fund (IMF) and adopted by Malaysia have somehow damaged the country's economy rather than solve the present economic problems, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"Initially, we thought that the IMF's strategies were very good. So, we adopted them only to find that they have damaged our economy," he told newsmen in Kuala Lumpur yesterday after launching the five-day SMI Showcase '98 and Apec Cross Border Linkages exhibition.

Dr Mahathir was responding to the question on whether the appointment of Tun Daim Zainuddin as Minister of Special Functions in the Prime Minister's Department will eventually see a reduction in interest rates.

Daim, who is the Economic Adviser to the Government, had concurred with the Prime Minister for lower interest rates but the IMF maintained that there is a need to raise them.

"Going back is very difficult," the Prime Minister said, adding that "we are trying to figure out how to manage the economy after the damage has been done which is being carried out through shortening the period of classification of non-performing loans, squeezing credit and raising interest rates.

"All these (measures recommended by IMF) have damaged a lot of companies which are currently in distress," he said.

On whether the appointment of the new minister will have some bearing on interest rates, Dr Mahathir said: "We are trying to figure out because, unfortunately, our interest rates are affected by the interest rates outside the country.

"When the interest rates outside the country are raised, there is a tendency for our currency to go out, depriving our banks of funds ... that is damaging to us."

Daim, who is also the National Economic Action Council executive director, advocated for lower interest rates to revive the country's economy.

Daim had, when speaking at the Malay Chambers of Commerce's general meeting on May 27, cautioned that an extremely tight monetary policy will bring about unexpected adverse effects to the economy.

Dr Mahathir had announced the appointment of Daim as well as Tan Sri Kasitah Gaddam as Minister of Land and Cooperative Development last yesterday.

The Prime Minister was also asked if Daim's appointment implied that he (Mahathir) is in control of the country's economy.

"Domestically, I have full control (of the economy) but unfortunately, the domestic affairs are being managed from outside ... the strings are being pulled from outside. So, I don't have full control."

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