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PM-RUBIN

MAHATHIR: RUBIN SAYS HIGH INTEREST RATES ARE DAMAGING

KUALA LUMPUR, June 29 (Bernama) -- U.S. Treasury Secretary Robert E. Rubin has said that high interest rates are damaging to the economy, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

Dr Mahathir disclosed that this view was made by Rubin during his meeting with special functions minister Tun Daim Zainuddin here yesterday.

On his meeting with Rubin today, the Prime Minister said Rubin has acknowledged that the current economic problem facing this region was a world problem and as such the whole world must act to resolve it.

"It is not Malaysia's problem or Asia's problem or east-Asia's problem but the world's," he said, adding that their discussion revolved around the general economy.

On currency trading, Dr Mahathir said he pointed out to Rubin that there was no knowing to whom one was selling to and whom one was buying from.

"When you sell the ringgit to buy US dollar, it is the same as selling the US dollar for ringgit, so which one should go down?" he asked.

The Prime Minister also said the reduction in the statutory reserve requirement (SRR) and increase in fiscal spending were not inflationary.

He maintained that the country was able to control inflation at all times.

But he said the only cause of inflation was "imported inflation", like having to import sugar by using foreign currency which in turn pressured sellers to hike their prices.

"So that is the cause of inflation and not the interest rates," he asserted.

Bank Negara had earlier announced the two percent cut in SRR to eight percent effective July 1, which will translate to lower cost of borrowings for customers. -- BERNAMA'

SHO/HAK SHY