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MAHATHIR-PEG NEW LEAD

MAHATHIR DOES NOT RULE OUT RINGGIT'S VALUE

KUALA LUMPUR, Sept 24 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad has not ruled out the possibility of lowering the value of the ringgit from the present level of RM3.80 to the U.S. dollar but said the peg would be maintained for as long as possible.

He said that unless other countries devalue their currencies, "then we need to lower our value" to remain competitive.

"But we would try to maintain the peg to make it possible (for companies) to plan and set up their budgets without worrying about currency volatility," he said.

He said Malaysia does not want to have currency curbs if it could help it, but it needs protective measures since the international financial regime has yet to change from "allowing others to rob other people's wealth."

"There is a need to change the architecture (of the current international financial system)," he told reporters after chairing the National Information Technology Council (NITC) meeting here today.

On the effect of foreign exchange, he said the impact would take a few months but the first sign of recovery is there, evident by the rise in car sales from 5,000 units per month to 12,000 units.

He said it also showed that the measures to ease lending by reducing interest rates were beginning to bear fruit as the downpayment for hire purchase of vehicles have declined.

The current interest rates was acceptable, he said, adding that the 8.0 percent "was a good level as people can now do business."

Lending rates for business loans were hovering as high as 20-21 percent as at end-1997 which made them very expensive, which in the process severely curtailed business activity.

Although rates declined further to between 16-17 percent, the government decided to opt for a more liberal monetary policy in efforts to stimulate the economy with the economy slipping into a recession in the second quarter.

Dr Mahathir said that reserves had also gone up.

As at Sept 15, Bank Negara reported gold and foreign exchange and other reserves rose significantly to RM80.759 billion compared with RM57.878 billion two weeks ago.

On growth projections for 1999, Dr Mahathir said the rate would be much better but would rather remain conservative than optimistic.

He said the government is confident of the action taken to tackle the current economy, but did not dismiss any negative growth.

Asked whether there would be problems in drawing up the 1999 budget, he said "there was no problem."

The Prime Minister also confirmed that there was a delay in the World Bank disbursing a further US\$700 million loan to Malaysia as it wanted a clearer picture on the exchange controls imposed by Malaysia.

"They (officials) are not sure of what is meant by currency controls. They think it is total and we are cutting ourselves from the rest of the world. But this is not true," he added.

He said the measures imposed by Malaysia, such as declaring money (by travellers), are the same as other countries and that the laws are already there but not being enforced.

He said he would explain the situation to the World Bank and the fact

that Malaysia would not prevent foreign capital from coming in.

On a call by Australian Deputy Prime Minister Tim Fischer for the Asia Pacific Economic Cooperation (Apec) summit to be moved away from Malaysia, he said it was a solitary voice.

"If Apec members agreed to that (moving the venue), there was no stopping (them), but if only one deputy prime minister disagreed, then he can stay away," said Dr Mahathir.

He cited how similar calls were made by certain parties in Australia over the Commonwealth games with criticism that the haze and lack of water would hamper the games.

However, he said the fact stands that the games held here were the best organised and attended and others were willing to come.-- BERNAMA

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