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MALAYSIA NEED NOT TIGHTEN FURTHER MONETARY POLICIES, SAYS PM

KUALA LUMPUR, April 29 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia need not tighten further its monetary policies as it had already done so.

"We have already tightened so much so that businesses are screaming because they can't breathe," he said.

"How much more tighter do they want it to be?" he told reporters after meeting Umno division heads here today.

He was responding to the International Monetary Fund report which has called on Malaysia to further tighten its monetary policies.

As a result of the regional economic slowdown, Malaysia has taken steps to curb spending with loans growth, which at end-December stood at 26.5 percent, projected to slow down to 15 percent at end-1998.

Besides this, interest rates have risen substantially with inter-bank lending rates which averaged 7.0 percent before the July currency attack now hovering at over 11.0 percent.

Business loans as a result rose to between 20-21 percent at the end of last year making them expensive, but Bank Negara managed to instil some discipline to bring down lending rates for businesses to a more affordable 16-17 percent.

On the IMF's call that companies should not be bailed out, Dr Mahathir said: "It depends on how you interpret a bailout."

"If a company is badly managed and we go in and use public money, it is wrong. When they devalue the ringgit and depress the value of shares, any company may collapse."

He cited the example of the U.S. government stepping in to help Chrysler, out from bankruptcy when the American car manufacturer lost half of its share capital and the U.S. dollar was depressed.

"Of course that is not a bailout because it is not done in Malaysia. But if this happened in Malaysia then that is considered a bailout," he said.

Dr Mahathir said Malaysia will strive to limit adverse foreign influences on the national economy.

He said by this he meant negative foreign influences with manipulative control over the currency and "those who dictate whether to impoverish or enrich the country".

However, he said, the government's efforts towards this end would not run counter to its policy of wooing investors to the country.

Dr Mahathir also said that the country was not keen on short term foreign investors.

The inflow of short-term capital particularly to the currency and stock markets, while adding liquidity to the banking system, however had also been destabilising.

Part of the regional crisis stemmed from the dependence of most East Asian economies on short-term capital with speculators in search of short-term gains aggravating the situation.

So when fund managers pulled their money out after the Thai baht collapsed, the contagion effect also severely affected other regional economies resulting in a tight liquidity situation.

Asked when the economy will recover, Dr Mahathir said it could not be determined as there were many factors which were outside the control of the government. -- BERNAMA

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