

04 JUL 1998

Kuan Yew - Malaysia

MALAYSIA NOT IN SAME POSITION AS INDONESIA, SAYS KUAN YEW

By: Tan Hock Guan

SINGAPORE, July 4 (Bernama) -- Singapore Senior Minister Lee Kuan Yew said Malaysia is not in the same position as Indonesia and there would be no riots and no overthrow of Datuk Seri Dr Mahathir Mohamad as Prime Minister.

Lee said this in an interview with the Business Week magazine and the Straits Times newspaper carried excerpts of the interview today.

In the interview Lee was asked if he thought events in Malaysia would follow those in Indonesia.

On Dr Mahathir's view that the outside world world had brought Asia down, Lee said if Asian countries wanted to make use of foreign capital and get the benefits of faster growth, they should have "circuit breakers" - sufficient controls to cope with any sudden inflow or outflow of funds.

Lee said "they had no such circuit breakers and that given the state of development and their financial institutions, they would have been better off doing it gradually."

The Business Times, which also carried excerpts of the Business Week interview, quoted Lee as saying the prevailing high interest rates prescribed by the International Monetary Fund (IMF) to help stabilise the region's weak economies were hurting them instead.

"If only one country were affected, high interest rates should have worked," he said.

"But, the whole region is in turmoil, and a new setback somewhere in the region pulls everyone else down."

Lee also said that exchange rates bore no relation to the real economy.

"It's what foreign exchange dealers believe. They talk to each other. They write analyses for their clients, and the market moves."

Lee said the IMF still had a role to play in stabilising Indonesia as IMF funding could help give market confidence in Indonesia's macroeconomic policies.

However, only Indonesia's leaders could restore the confidence of their own entrepreneurs, bankers, wholesalers and retailers, Lee added.

-- BERNAMA

THG rn