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MALAYSIA DOESN'T NEED IMF PROGRAMMES, SAYS CAMDESSUS

KUALA LUMPUR, Jan 16 (Bernama) -- Malaysia, which has initiated several tough policy measures in managing its economy since the regional financial crisis began last July, does not need International Monetary Fund programmes to help recover its economy, says IMF managing director Michel Camdessus here today.

Camdessus also reaffirmed that Malaysia's "financial and fiscal position is strong and hence there is no need to raise taxes."

The IMF chief, who is on a two-day visit to Malaysia at his own request, hailed Malaysia's measures as being pre-emptive in avoiding bigger problems ahead.

Unlike other countries, he felt that Malaysia was more affected by the contagion effect following the currency and stock market crisis. The contagion effect in South East Asia began last July when Thailand allowed its baht to go on a free float following speculative attacks against regional currencies.

Besides Camdessus, an IMF team was also in town for consultations with Treasury and Bank Negara officials. Team members will return in March to further discuss the implementation of the tough economic measures.

On Dec 5, Malaysia announced several tough policy measures. They include reducing the government's expenditure by 18 percent, deferring numerous large-scale projects, curbing credit growth and ensuring loans to productive sectors and rescheduling the imports of items requiring huge amounts of foreign reserves.

Camdessus told a press conference here after meeting prime minister Datuk Seri Dr Mahathir Mohamad, deputy prime minister Datuk Seri Anwar Ibrahim as well as Treasury and bank Negara officials over the past two days, that given the volatile currency markets and exchange rates, Malaysia needed to continue strengthening its monetary policies to achieve a better policy mix to secure greater market confidence.

Asked by a foreign journalist on IMF's projection of 2.5 percent for Malaysia this year as contained in a recent interim IMF report, Camdessus, who appeared surprised at the figure, said "we have no official forecast...not to my knowledge."

"I am sorry to disappoint you. I can see that in your face," he told the foreign journalist, adding that Malaysia's growth rate would be slower than last year.

The Malaysian authorities have forecast a growth of between 4.0 percent and 5.0 percent for this year. Last year's growth was estimated at 8.0 percent.

Camdessus said he was pretty certain that it would take about two to two and a half years for the countries in the region to recover back their high growth in a more sustainable way and eventually put them in a better and stronger position.

However, he said the IMF felt that credit growth in Malaysia had been excessively been rapid over the past two years.

"We would like to see some easing on this front," he said.

However, Camdessus noted that Malaysia's non-performing loans were maintained at "low levels over the past few years."

When asked on the structural reforms that Malaysia could undertake, he said the system of control of prices of goods as well as intervention by the government in certain economic areas, which had served it well in the

past, "certainly has to be re-analysed and possibly cancelled."

On the proposed mergers of local financial institutions, he welcomed the move as it would lead to reinforcing their positions and increasing their competitive edge when the local financial market was further liberalised.

Bank Negara recently announced that there would be about half a dozen core groups of merged financial entities in an effort to strengthen Malaysian commercial banks and finance companies as part of efforts to strengthen them to meet the challenges of a more liberalised environment in the future.

To a question, he said the IMF was not in the business of bailing out economies but rather "repair the problems so that the boat becomes more solid and continues to serve longer."

He stressed that IMF intervention was accompanied by strong measures to enable economies to recover and "our policy has been never to rescue shareholders."

Asked what was the response of Prime Minister Datuk Seri Dr Mahathir Mohamad and his deputy, Datuk Seri Anwar Ibrahim, on the need for further structural reforms, Camdessus said this was not exclusively discussed but then the talks concentrated on him (Camdessus) telling them about the reforms being taken by the affected regional economies.

Camdessus said he shared the view of Dr Mahathir on the need for permanent vigilance and for further pre-emptive steps to consolidate the financial sector.

Camdessus said structural reforms were for governments and central banks to tackle.

Asked how transparent the IMF was and where was the social agenda when it asked countries to undertake economic reforms, he said the IMF was indeed sensitive to social programmes which were critical to maintaining growth and were a powerful means to cut down unemployment and reduce poverty.

"Five days ago I was in South Korea to avoid a worker-employer collision and yesterday in Jakarta I pressed the government for more social expenditure, something which commentators of IMF forget to say.

Likening the IMF aid reforms as providing the antidote for ailing economies, he said, "Doctors must be extremely attentive to our head...we are attentive and always adept to changes.

"For years and years, the word social was not part of the IMF's vocabulary...we are the only institution in the world which is reviewed by 182 countries which receive our reports and documents daily."

Turning to interest rates, he said Malaysia' rapid credit growth and the international pressure due to the depreciating ringgit called for rates to be raised.

To this end, he said Bank Negara was "ready to go into that direction and bring down credit growth and moderate inflationary pressures as well as support the value for the currency (ringgit)."

On the Budget, he said although it need not be adjusted but it needed to be strengthened from time to time and the authorities needed to come up with effective measures, taking cognisance of the problems arising from the currency volatility.

"For example, if inflationary pressures keep on growing and credit expansion is still rapid, it is essential that the monetary policy has to be tightened."

He said the IMF also insisted on the strength of the social tripartite dialogue between the government, private sector and labour union to achieve the desired and best result in the shortest possible time.

"Our work is to help countries to establish confidence among

international investors...this is in our chapter but not in whatever miracle way...we help them in their policies and re-establish confidence."

Camdessus said structural reforms were not just to tackle internal economic problems, but equally important was to heal the country from the contagion effect of a sudden downturn in regional economies as was evident in the attack on the Thai baht from July 2.

"IMF programmes are there to shorten the period of adjustments and minimise social cost...without these programmes the poor will have to pay (dearly)," he said. -- BERNAMA

TEAM SHY