

17 SEP 1998

Mahathir-Liquidity

MALAYSIA'S LIQUIDITY PROBLEM MOSTLY RESOLVED, SAYS PM

By: Mikhail Raj

KUALA LUMPUR, Sept 17 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today the country's liquidity problem which was acute before has now been mostly resolved which will help facilitate lending activities.

He said that some RM10 billion in funds had been pumped into the banking system following the 2 per cent cut in the Statutory Reserve Requirement (SRR) and the decrease in the liquidity ratio.

The SRR was reduced to 4 per cent yesterday, from 6 per cent previously.

"Now, we have a lot of money in circulation...the liquidity problem is mostly resolved," he told a news conference after watching some athletic events at the National Stadium at Bukit Jalil here.

Dr Mahathir said that for every 1 percentage cut in the SRR, some RM4 billion is pumped into the banking system, which should enable banks to lend to stimulate business activity and help economic recovery.

"And if banks don't lend, we will check on the banks," he said.

Besides this, since the exchange controls announced recently effectively make the ringgit non-convertible overseas, massive ringgit deposits taking advantage of high interest rates in Singapore, are finding their way back into Malaysia.

"We have checked on the money that has been brought back from Singapore and its RM11 billion," he said.

Asked why Malaysia had not done the same to Singapore as it did to Britain when British firms were barred from vying for government contracts for continued media attacks on Malaysian leaders and whether this could be misconstrued as practising double standards, Dr Mahathir said:

"Well, in a way we are doing it also, we have stopped trading on the Central Limit Order Book (Clob) whereby Malaysian shares would only be traded on the Kuala Lumpur Stock Exchange.

"They have siphoned our money, our ringgit to Singapore (through higher deposit rates), now the ringgit in Singapore is no longer legal tender, that ringgit has come back.

"If the ringgit is not here they tend to lose millions of dollars," the Prime Minister said.

"We tolerated this thing before because we did not have an economic problem, but now we have an economic problem (and) they continue to do this.

"We asked them not to but they ignore us...so we take action," he said.

On US President Bill Clinton's recent call for a top-level meeting of finance ministers and central bank governors within 30 days to shore up the global financial system, he said the call was not sincere as they were more concerned about their economy rather than the problems in East Asia.

"If we continue to face problems and they are not affected, they will not be calling for a meeting...this (meeting) is only to look after their interest," said Dr Mahathir.

"We have to be cautious," he said.

Asked why should East Asia exercise caution over Clinton's call, the Prime Minister said the Group of Seven (G7) industrialised countries would "design a so-called financial architecture which will again solve their problems but not our problems".

In the mid 80's, the G-7 countries decided to support the dollar which

in the process adversely affected the currencies of developing countries which had to pay significantly more for imports.

"As far as they are concerned, anything that happens to us is not relevant until of course it impinges on their own economies," he said.

"Today, they are feeling it, but how far will they go...just enough to solve their problems but not our problems," he said.

Asked to comment on capital controls suggested by the United Nations Conference on Trade and Development (Unctad) for affected regional economies to bolster their currencies and whether it was in recognition of Malaysia's move to impose exchange controls to defend its currency, he said:

"I am not particular about they taking notice (of me).... I have been described as a madman by the "London Times," but what is important is they do something to alter the world's economy to recover.

"The world economy cannot recover without the recovery of the countries in East Asia," the Prime Minister said.

When asked whether Malaysia should send a strong message that it still encourages foreign direct investment (FDI) into Malaysia, he said: "We still want FDI."

"But just don't say we cannot survive without FDI...we might not be able to achieve a higher degree of development, but we can achieve just as well if not better development than what we already have now," he added.

-- BERNAMA

MR DVS RM