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MALAYSIA-EXCHANGE CONTROLS

MANY STILL NOT CLEAR ON MALAYSIA'S EXCHANGE CONTROLS

By: Siti Hawa Othman & Minggu Simon Lhasa

KUALA LUMPUR, Oct 23 (Bernama) -- Malaysia's selective exchange control concept has been misunderstood by many, including the World Bank and the International Monetary Fund (IMF), said Dr Aris Othman, secretary-general of the finance ministry.

He said both the World Bank and IMF recently sought clarification on the matter from Malaysian officials.

Explaining to the media on the 1998/99 Economic Report here on Thursday, Aris said the recent measures were not capital controls per se but selective administrative controls in the trading of the ringgit and capital flows.

As a result of the misunderstanding, the World Bank, which had earlier promised Malaysia US\$1 billion in loans, has now delayed its full disbursement.

"It is unlikely that we will get the full amount this year," he said, adding that the World Bank has to date disbursed US\$300 million (US\$1=RM3.80).

Aris explained that the World Bank was "not too happy with the measures" (by Malaysia) and as such "we expect that we will not get the remaining US\$700 million this year."

He added that discussions were now being held until the World Bank got a clearer picture of the exchange control measures before the balance of the loan pledge was disbursed.

"When we attended the recent annual meeting of the World Bank, many of them (foreigners) expressed surprise because they misunderstood us in terms of the capital control concept because they thought it was the kind of control normally adopted by other countries," he said.

The IMF too has sent a team to Malaysia to investigate the measures introduced and after discussion with Malaysian officials, they concluded that they were not against the current IMF rules and regulations, he said.

Asked about what the government's financial adviser, Salomon Smith Barney, has done so far, he said the company was supposed to undertake an evaluation and due diligence for Danamodal Nasional Bhd on five banks.

They will come up with recommendations on how to recapitalise the banks and how much is needed.

"At the moment they are going through the banks," he said without giving further details on whether some of the studies had been completed.

However, he said plans to raise foreign funds had been put on hold for the time being because of the weak international market.

Asked about how the government would finance its budget deficits, Dr Aris said the government is in the position to minimise the deficit because certain items are treated as off budget items such as those undertaken by Danamodal and Danaharta.

In order to fund the deficit, the government would rely mainly on domestic resources such as the Employees' Provident Fund and certain insurance companies, he said.

As for overseas funds, Dr Aris said the government is looking at multilateral institutions and bilateral sources.

Some funds from Japan were expected while funds from Taiwan were being awaited, he said.

Dr Aris maintained that Malaysia is on the right track by implementing the control measures.

He also said Prime Minister Datuk Seri Dr Mahathir Mohamad could still be right this time as he was proven to be right a year ago when he pointed out the need to regulate global currency trading. -- BERNAMA

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