

10/01/1998

`Moderate recovery possible in six months' (HL)

Rashid Yusof; Ainon Mohd

KUALA LUMPUR, Fri. - Datuk Seri Dr Mahathir Mohamad said today he is confident that there will be a moderate economic recovery, possibly six months to a year from now, provided Malaysians have confidence in the economy and the ringgit.

Interviewed on TV3's Malaysia Hari Ini programme, the Prime Minister said to assist the process of recovery, the people should also have faith in the local banks, buy less imported goods, save more and refrain from detrimental actions like converting ringgit into the US dollar and other currencies.

"Thus, our chances of recovery are better because we ourselves are not causing the fall of the currency," said Dr Mahathir when told during the interview that many viewers had sent faxes and E-mail to the programme asking when the economy will recover.

He said despite the realities of the currency exchange in relation to the ringgit, actions taken locally were important to bring about recovery.

Throughout the 90-minute interview with the Prime Minister, the confidence factor was a recurring theme.

The interview shifted from such moments when Dr Mahathir explained the need for liquidity - when RM1 changed hands 10 times a day, it is worth RM10 - to a spell when questions on housewives and their habits were dominant.

Generally, Dr Mahathir was upbeat about the economy's resilience, the country's reserves and the strength of the local banks. He called on Malaysians to buy more local products and of the now cheap shares - "buy, and buy again", the Prime Minister said.

This is also time for Malaysians with properties abroad to sell them and keep the money locally without converting it into the ringgit for future use.

On why Malaysia has not sought assistance from the International Monetary Fund, the Prime Minister said: "Should we borrow foreign currencies and they appreciate, we have to come up with more ringgit to repay. If we only needed to pay RM2.50 for every US\$1 borrowed in the past, now we have to get RM4.50."

Dr Mahathir said this would make the country poorer besides highlighting the need to save more.

On the share market, the Prime Minister said there was a time when share prices soared far beyond the actual assets of the companies even when they made just a small profit.

Now, is the time to buy as the share prices are much lower than the assets. "And we buy and buy again. Although they (the prices) fall, we should still buy and they will eventually go up."

Going into the specifics on the question of confidence, Dr Mahathir said the people must battle the no-confidence jitters. "If they ask why we do not seek IMF's help, it is because our economy is sound.

"And if the economy is sound, the people must have confidence in the currency and the share market. And if they are confident, they don't sell ringgit and will buy shares which will result in its value rising."

On the level of confidence Malaysians have in local banks, Dr Mahathir said they should use local banks. "If they withdraw their money and place them in foreign banks, when we want to later borrow from local banks they have to in turn borrow from foreign banks."

This is when the interest rate rises to 16-17 per cent, higher than the normal rate of less than nine per cent. "It is us who cause our own problems," Dr Mahathir said.

One of the E-mail letters proposed that every worker contribute RM10 a month to the Government to assist the Government's financial position. To this, Dr Mahathir said that while this was a good idea, the Government would not force anyone to do so.

On job security, Dr Mahathir said not many workers have been laid off following the economic problems and even if there were retrenchments, there were many other opportunities for those affected.

Asked what were the lessons from the current experience, Dr Mahathir said this was the time the people should draw on their intrinsic strength to face the challenges.

"If life is without challenges, we will become weak and eventually falter .. If we look at the strong empires, when it was growing into an empire, its people battled and worked hard.

"When it became prosperous, the people appeared to be complacent and as a result, they were crippled when faced with challenges and the empire collapsed. This is a lesson."

(END)