

07 SEP 1998

ALI ABUL HASSAN-MONETARY

NEW BANK NEGARA CHIEF TO ENSURE PROACTIVE MONETARY POLICIES IN PLACE

By: E. Sivabalan

KUALA LUMPUR, Sept 7 (Bernama) -- Newly-appointed Bank Negara governor Tan Sri Ali Abul Hassan Sulaiman today pledged to ensure that the country's monetary policy will be proactive and business-friendly to encourage growth in the economy.

Speaking to Bernama in an interview hours after he was appointed to the top central bank post, Ali Abul said his focus would be to improve the performance of the economy which slipped into recession in the second quarter of this year.

"So, monetary policy will have to play an important part," he said.

His stance which the business community is expected to welcome hints that the central bank would continue to focus on an easier monetary policy after the tight monetary policy over the past one year failed to revive the economy.

Rather than helping, the tight policies, particularly high interest rates, led Malaysia to record a - 6.8 percent growth in the second quarter.

This signalled the need for more affirmative policies to encourage rather than retard economic growth.

The Finance Ministry in a statement today named Ali Abul, who was the Director-General of the Economic Planning Unit in the Prime Minister's Department, as the new governor of Bank Negara. He replaces Tan Sri Ahmad Mohd Don who resigned on Aug 31.

The ministry also announced the appointment of one of the central bank's four assistant governors, Datuk Dr Zeti Akhtar Aziz, as the new deputy governor, replacing Datuk Fong Weng Phak who also resigned on the same day as Ahmad.

Ali Abul said he had met all the heads of departments of Bank Negara today and told them what was expected of them.

He said his main role would be to ensure that whatever policies discussed at the National Economic Action Council (NEAC) would be implemented by Bank Negara.

"These are important decisions," he said.

Ali said he would have to ensure that Bank Negara's role "is sort of more proactive in terms of (economic) development."

"It has to be business-friendly," he said.

He said monetary policy alone would not make much of an impact in economic recovery.

"The monetary policy has to work hand-in-hand with (other) development policies," he said.

Ali said high interest rates, cutbacks and the move by (local) banks to stop lending has squeezed the economy.

"Now, we have to be proactive and there is no need to worry about the exchange rate (in view of the new exchange control measures)," he said.

Bank Negara announced a series of exchange control measures last week to defend the ringgit by making it non-convertible overseas as well as pegging the ringgit at RM3.8 to the US dollar.

Ali said Bank Negara would now have to focus on the economic recovery especially in wooing more domestic and foreign investments.

He stressed that these investments have to be on a long-term basis and not short-term.

He said Bank Negara would have to be supportive of the country's economic growth, but added it should not follow the International Monetary

Fund-style policies.

Ali said with the recent economic measures announced by Bank Negara, it would encourage more investments and allow (local) banks to lend for productive sectors.

He said the banks have also started reducing their interest rates.

The Bank Negara Governor also said he was planning to meet bankers soon to discuss several matters.

On the announcement by Bank Negara today that the Statutory Reserve Requirement (SRR) of the commercial banks, finance companies and merchant banks will be reduced to 4.0 percent effective Sept 16, 1998, from 6.0 percent currently, he hoped the move would allow banks to start lending.

The statement said the measure aimed at further reducing the cost of funds to banking institutions would improve liquidity among individual banking institutions thereby enhancing the lending capacity of banking institutions.

This together with the lowering of Bank Negara's intervention rate last week would make credit cheaper to the private sector which in the process is expected to stimulate economic activity.

Ali also said he met Prime Minister Datuk Seri Dr Mahathir Mohamad at his office here today. Dr Mahathir is also the First Finance Minister.

He said Dr Mahathir's instruction to him was "Go there (to Bank Negara) and work."

Ali said he just took over and needed time to get to know Bank Negara staff.--BERNAMA

ES MR