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Governor-Monetary

NEW BANK NEGARA CHIEF TO ENSURE PROACTIVE MONETARY POLICIES

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 Hassan 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.

Instead of helping, the tight policies, particularly high interest rates, led Malaysia to record a - 6.8 per cent 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 Hassan, 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 Mohamed 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.

Ali Abul Hassan said he 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.

He 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 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.

High interest rates, cutbacks and the move by (local) banks to stop lending had squeezed the economy, he said.

"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 added.

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 RM3.80 to the US dollar

Ali Abul Hassan said Bank Negara would now have to focus on the economic recovery especially in wooing more domestic and foreign investments and these investments had to be long-term.

Bank Negara would be supportive of the country's economic growth, but it should not follow the International Monetary Fund-style policies.

The recent economic measures announced by Bank Negara would encourage more investments and allow (local) banks to lend for productive sectors, he said, adding that he planned to meet bankers soon to discuss several matters.

He said he met Prime Minister Datuk Seri Dr Mahathir Mohamad at the latter's office here today. Dr Mahathir is also the First Finance Minister.

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

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