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PM-IMF
PM SAYS IMF'S INTEREST RATE STRATEGY HAD DAMAGING EFFECT

KUALA LUMPUR, June 25 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad felt that the International Monetary Fund's strategy on interest rates which Malaysia adopted has damaged its economy.

Dr Mahathir explained that initially, it was thought that the IMF's strategy was very good.

"We adopted the strategy only to find out that it has damaged our economy," he told a press conference after officiating the SMI Showcase '98 organised by SMIDEC.

"But, going back is very difficult as such we have to figure out how to manage the economy after the damage has been done through shortening the period for non-performing loans, credit squeeze and hike in interest rates," he added.

These have damaged a lot of companies, Dr Mahathir said.

Asked if interest rates would come down to more acceptable levels following the appointment of Tun Daim Zainuddin as minister of special functions in the Prime Minister's Department, Dr Mahathir said: "We are trying to figure out but unfortunately our interest rates are affected by interest rates on ringgit loans.

"There is a tendency for our ringgit to go out of the country and this has deprived banks of funds and that is very damaging to us."

Daim has been advocating for lower interest rates to revive the country's economy of late.

On May 27 when speaking at the Malay Chambers of Commerce's annual general meeting, he said an extremely tight monetary policy would bring about unexpected adverse effects to the economy.

He also said the credit squeeze had frustrated many businesses and had also called for "balanced interest rates."

Daim had stressed the stabilisation of foreign currency exchange and the survival of the private sector, adding that high interest rates would cause many businesses to lose money.

He had said views, especially those from the international community that stability in foreign exchange could only be achieved through high interest rates, should not be accepted in totality.

Daim had believed that the government would agree to a decrease in interest rates if banks had enough liquidity. -- BERNAMA

DVS MFJ SHY