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PM: Bank Negara duo quit over policy differences

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KUALA LUMPUR, Sat. - Prime Minister Datuk Seri Dr Mahathir Mohamad today confirmed that Bank Negara Governor Tan Sri Ahmad Mohd Don and his deputy Datuk Fong Weng Phak resigned because of differences with the Government over the management of the economy.

"Well, we had some differences. The Government never agreed to the idea that we should raise interest rates and dry up credit because this would cause a contraction of the economy, as we have seen in the second quarter, for example.

"The contraction is worse than expected. When people have no money, we cannot expect the economy to grow," he said.

The economy contracted by 6.8 per cent in the second quarter.

Dr Mahathir was speaking to reporters after closing a seminar on Islamic Financial Services and Products organised by the Institute of Islamic Understanding Malaysia.

On whether he was surprised by the resignation of the Governor, Dr Mahathir said:

"No, not at all. We thought he would resign long ago because he knew we did not approve of the policies recommended by him. But he chose not to resign before, but to resign now. He must have his reasons."

Dr Mahathir said for the time being, assistant governor Datuk Dr Zeti Akhtar Aziz would be acting Governor.

Asked if a new Governor had been found, Dr Mahathir said: "We need a Governor, of course, for legal purposes," adding that he had not thought of a name yet.

The Finance Ministry yesterday announced the resignations of Ahmad and Fong. The three-paragraph statement, however, did not state any reason for their resignations, effective Sept 1.

Press reports quoting various sources yesterday said the two had resigned due to differences with the Government over interest rates.

In Kuala Nerang, Deputy Finance Minister Datuk Dr Affifuddin Omar described the resignations as "a normal thing" and it would not have any effect on the stock market.

"I don't think it (the market) will react according to who resigns or who comes in. The market will see how the economy performs. The resignations won't determine this," he said.

Affifuddin also dismissed the idea that there was too much political interference in efforts to revive the economy, saying that all actions by the Government were to safeguard the country as a whole.

He was speaking to reporters after meeting religious officials and teachers from Padang Terap today.

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