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PM: NO LIQUIDITY PROBLEMS, NO NEED FOR BAIL-OUTS IN MALAYSIA

KUALA LUMPUR, Jan 22 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad says Malaysia will not face any liquidity problems in 1998 as there will be sufficient funds for the entire year.

He also said there is no need to bail out companies despite the current economic difficulties.

Saying that RM490 billion will be available this year, he added: "There is no credit squeeze this year, the credit squeeze was last year."

Speaking at a press conference after chairing the inaugural meeting of the 24-member National Economic Action Council (NEAC) here, which lasted almost four hours, Dr Mahathir said: "There is no need to inject liquidity. We have enough and there should be no problems in getting loans."

The meeting was attended by Deputy Prime Minister and finance minister Datuk Seri Anwar Ibrahim who is deputy chairman of NEAC and the Economic Adviser to the Government Tun Daim Zainuddin who is the executive director of the council.

Other members include representatives from the private sector, banks, finance companies, a trade union, stockbroking industry, small and medium-scale industry, consumer associations, manufacturers and Institute of Strategic and International Studies (ISIS).

The frequency for NEAC's meetings have yet to be decided but Dr Mahathir said they would probably meet again after the festive holidays.

On claims that the country was facing liquidity problems, the Prime Minister said there was a misunderstanding that companies were facing difficulties in obtaining loans.

He said banks, which have been directed to focus their lending to productive sectors like manufacturing and agriculture, should take the trouble to explain this (misconception) to the people and business community.

Dr Mahathir said today's meeting identified major problem areas with the focus on credit.

Several ideas were suggested today on how to ensure sufficient liquidity in the banking system, he added.

"But nothing has been finalised...I cannot disclose them," he said.

The Prime Minister also said that the government would not single out any company for assistance.

"When the ringgit is down, even the best business will be affected," he said, adding that the government will not protect anybody.

Dr Mahathir said if companies had legitimate reasons to ask for financial aid, they would be looked at favourably and not be deprived of a chance to turn around their ailing businesses.

Asked whether Malaysia has been transparent in currency trading, he said: "In Malaysia, it is transparent."

On measures adopted by the government to restore investors' confidence or whether enough had been done, he said: "A lot has been done to restore investor confidence...investors are quite confident but confidence level varies between people."

"I think the investors are quite confident (about the measures)," he said.

When asked how the government was able to restore confidence, the prime minister it was "by doing the right thing."

"...it depends on the reaction of investors. If the reaction is wrong,

then the (measure taken) is wrong,' he added.

He said: "We wouldn't really know what creates confidence...because confidence varies between people. Sometimes we may go wrong, but we would do our best to resolve (problems of) the market structure."

Meanwhile, an executive committee through the NEAC has been established to ensure that current economic problems can be resolved expeditiously and decisions of the council implemented effectively.

According to a booklet issued on the NEAC, the composition of the NEAC Exco will comprise the prime minister, deputy prime minister, executive director and two members to be appointed by the prime minister.

To assist and implement decisions taken by the exco, a working committee will be established to study several issues.

They include direct foreign investment, banking and finance, capital markets, currency, current account deficit, development of key economic sectors including Petronas, and social issues caused by the current economic crisis.

The decision of this exco will be submitted to the NEAC for endorsement.

However, matters which are sensitive, for example, information on banks and currencies, will not be submitted to the NEAC for discussion as it will suffice for the exco to submit it to the Cabinet directly for endorsement.

-- BERNAMA

TEAM SHY/MR