

10/01/1998

Recovery possible in 6 months: Dr M (HL)

Fadzil Ghazali

SIX months to a year - that's how quickly the Malaysian economy could recover to an acceptable level. But this will hinge on how much faith Malaysians have, Datuk Seri Dr Mahathir Mohamad says.

What it takes, the Prime Minister said, is for the people to have faith in the economy, the ringgit and the local banking system and for them to spend their money wisely.

"If we do all these, I am confident we can recover, not to the original level but to an average level sufficient enough for us, maybe within six months or one year," he said during TV3 morning talk show, Malaysia Hari Ini, in Selangor yesterday.

Asked when the economic downturn would end, Dr Mahathir said as long as there are people selling the ringgit and pushing down its value, it would be hard to determine.

"Regardless of this, our behaviour and action during this time are important in bringing back the recovery to the economy," he added.

Dr Mahathir said firstly, Malaysians must have confidence and trust towards the country's currency and economy.

"If we have confidence and avoid indulging in activities that could only worsen the situation such as exchanging the ringgit for the US dollar or other currencies, we could recover much easier because we are not devaluating our own money," he added.

He said apart from this, there are still many things that need to be done such as reducing the buying of imported goods to curb the use of foreign currencies and to increase savings.

He added before July, the country's economy was progressing well and Malaysia had been hopeful that it would register an 8 per cent growth.

"But all of a sudden in July, we experienced an economic slowdown which was not caused by us. We did not do anything, changed any policy or did something to cause the economy to slow," he added.

He said what supposedly had happened was that Thailand's crisis was contagious and it had affected Malaysia, pushing the ringgit down.

"It did not fall on its own. There must be a party that caused it to slide. In currency trading, the business practice is a bit strange. Each time a currency is sold, it drops in value. When foreign parties sold the ringgit to buy the US dollar, the ringgit's value depreciated. They did this often to push the ringgit lower and indirectly made us poorer," he added.

Asked on the difference between the current problem and the recession in the mid-1980s, Dr Mahathir said although the economy was quite bad in 1985 and 1986, the ringgit did not depreciate in value. This had made economic recovery easier.

"This time, we have no control over our currency value. Each time we try to restore it, they sell more ringgit and the currency depreciates further," he added.

Asked why the International Monetary Fund's (IMF) financial aid was not sought for, Dr Mahathir said taking it will reflect that the country's economy is weak.

"The problem with this is that we have to depend on others, and in turn, they can exert pressure on us. Furthermore, if the currency denomination of the loans appreciate, we need to get more ringgit to pay them," he added.

Dr Mahathir said one way of avoiding external forces having control over

the ringgit is by internalising the country's economy, where measures are implemented to reduce the foreign currencies' influence on the country.

"By minimising our economy from having to depend on imports that used foreign currencies, our needs for these currencies will also be reduced hence allowing us to have more control over our economy. This is being done," he added.

On the stock market, Dr Mahathir said the value of shares also depend on their buying and selling activities. They will go up when a lot of people are buying.

"At present, the value of shares are no longer linked to the companies' performance. We may have a case where it is a company making a small profit yet its share value is so high that it doubles its assets value.

"This is so because many people in share trading buy a particular company's shares to push the price up. When it is high enough, they sell the shares to get profits. This causes the shares to drop in value.

"When the share value falls, confidence is weakened and more people will sell the shares pushing the price down further. In the end, we see the share value being less than the company's assets value," he added.

Dr Mahathir said the fact is, now is a good time to buy shares but due to the lack of confidence and bearish sentiments, people are not buying shares, and this further dampened the prices.

"For the share prices and the stock market to recover, we must have confidence and continue buying the shares until their prices go up," he added.

Dr Mahathir said Malaysians must fight this lack of confidence because the country's economy is standing on a strong footing.

"If the fundamentals are not strong, we would have sought assistance from the IMF a long time ago. But the truth is we can still hold on while others are having difficulties," he added.

Dr Mahathir said this is because the Government's policy has always been to take small amount of loans, make careful use of credit and have proper planning of spending, and this has put the economy on solid grounds.

"The rakyat must have confidence. If the rakyat still wonder why we are not taking any IMF assistance, it is because our economic fundamentals are strong.

"If the economy is strong, then the rakyat should have confidence in the country's currency and shares," he added.

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