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PM: Curbs partly aimed at reducing reliance on S'pore

Eirmalasang Bani

SOME of the exchange controls imposed by the Government are meant to reduce Malaysia's high dependence on Singapore, Datuk Seri Dr Mahathir Mohamad said.

The measures, according to the Prime Minister, have to be adopted as the republic "had caused Malaysia a lot of problems".

"It is not a question of Chinese-Malay, or anything like that. It is (between) Malaysia and Singapore. In Malaysia, we have Chinese (and) in Singapore also we have Chinese," he told members of the Malaysian Chinese Association and several Chinese associations who met him at his office in Kuala Lumpur yesterday.

"What (Singapore) is doing to us is bad. For example, they introduced higher interest rates and (our) money went out to them," he said.

Such a move affected liquidity in Malaysian banks, forcing some of them to squeeze credit further by not lending out money to too many borrowers.

In just three weeks, the exchange controls have succeeded in improving liquidity in the country's banks. Last week, Dr Mahathir said RM11 billion had returned home, mostly from Singapore, since the Government declared that all offshore ringgit would lose its legal tender by October 1.

Dr Mahathir also said although the country is facing economic and political problems, share prices on the Kuala Lumpur Stock Exchange have not gone down very much.

"It (the KLSE Composite Index) may not go as high as 1,400 points as before but even if it manages to reach between 500 and 700 points, it is enough."

Dr Mahathir described Malaysia as fortunate by comparison with its neighbours as the Government and the business community have small external borrowings.

However, he said, the speculative attacks on Malaysia's currency and share market have resulted in recession and lowered the value of properties used as collaterals for bank loans.

"You cannot pay your debts as the value of your collaterals is much less than the money that you borrow.

"Everytime we tried to help, the foreigners attacked our currency and share market. Because of that, we find that it is necessary to isolate our economy so that they cannot attack our currency and share market anymore."

With the ringgit fixed at 3.80 against the US dollar, the Prime Minister said, businessmen can plan their operations and budgets knowing that the value is always the same.

"With the interest rate fixed at 8 per cent, companies can borrow money, value their loans, pay for their debts," he said.

Dr Mahathir, who is also First Finance Minister, also spoke about the Central Limit Order Book (Clob) International in Singapore, which has stopped trading Malaysian shares since the Kuala Lumpur Stock Exchange introduced several measures, one of which states that trading of Malaysian securities on Clob is not recognised.

"They traded without having to go through the KLSE. Now we have made it impossible for them to trade in Singapore ... that they must trade it here in Malaysia, and that is done by making nominee companies illegal.

"What Singapore used to do was create one nominee company. In the nominee company, there would be 200,000 owners of shares and stocks and they would trade within the nominee company.

"When they traded, our share prices went down. So they had been short-selling and the price went down so low that actually share prices of companies in Malaysia were (worth) much less than the cash that they had," he said.

With the low prices of shares, Dr Mahathir said, the Government would have been forced to ask for help from the International Monetary Fund (IMF).

"The IMF will force us to open up our companies so that they can come in and buy. Our companies would have been bought by them at a very low price. They could come in and buy the big companies and control the economy.

"But we don't want to allow that, which is why we stopped Clob from operating by making nominees illegal," he added.

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