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Mahathir-Interview (Embargo/2100)

RTM INTERVIEW WITH THE PRIME MINISTER

KUALA LUMPUR, July 14 (Bernama) -- Following is the translation of the interview over RTM with Prime Minister Datuk Seri Dr Mahathir Mohamad to be aired tonight.

The interview was conducted by Kuala Lumpur Malay Chamber of Commerce President Syed Amin Al-Jefri, Federation of Malaysian Consumer Associations (Fomca) President Prof Hamdan Adnan and The Star's Chief News Editor Chua Yew Kay.

S. AMIN: Datuk Seri, let me begin tonight's discussion with a question on our present economic situation. If we compare what has happened in the last one year, is the present economic situation the same as before or has there been a lot of differences?

PM: Actually there is a lot of differences. If we look at the situation prior to July 1997, the country's economy had been very good, growing rapidly at 8 percent a year and we expected to reach our objectives in 1997.

Unfortunately in July because of the attack on the ringgit causing it to fall, today we see that our economy is down, so much so that for the first three months of this year not only there had been no growth, it could be said there was minus growth of about 1.8 percent and this would definitely have an impact to our country's growth, to the well-being of Malaysians, also to our banks and our business community.

S. AMIN: Does this mean that we have reached a stage where we can say that the worst is already over?

PM: We cannot predict whether we have "bottomed-out" or reach the lowest level because our economic condition is very much controlled by currency traders and by those trading our shares. They can easily devalue our currency and our shares as and when they like. Because of this we cannot predict what is their next cause of action. I think that they would continue to pressure (our shares and currency) if this is advantageous to them.

S.AMIN: Many people are still not clear on the subject of the depreciation in the value of the ringgit and share prices. So, the Western media has blamed the Malaysian government and yourself for it. Some Malaysians believe these allegations. Could you explain to us the real reason behind the fall of the ringgit and share prices.

PM: We don't understand why they are blaming the government or any other government facing similar problems as the government is still the same, the policies are the same as well as the administrative ways. If we have done something out of the ordinary in June that resulted in the ringgit's fall in July, then we can blame the action but we did not do anything out of the ordinary. But then why did the ringgit and share prices fall? For the government, to lower the currency we usually made announcement, we make a gazette or an announcement saying that now we will lower our currency's value. But we did not do such a thing. So, if we did not do it, then who did? There must be somebody else doing it because the ringgit, on its own, cannot lower its value. Because the ringgit wouldn't

know whether the government is good or bad, it does not know. Those who know are the people. Who are the people who know? The currency traders definitely can increase or decrease the value of currencies merely by selling or buying them. If they sell ringgit, the ringgit will fall, if they sell rupiah, the rupiah will fall. However if they buy them back, the value will rise back. So they did it, not us.

PROF. HAMDAN: Datuk Seri, the government has taken several measures towards economic recovery and many countries have turned to the IMF for assistance. But our country does not want to do so. Can our economy recover without the IMF as we see that countries which have borrowed from the IMF seem to be doing worse than us. Can you explain this ?

PM: What is clear is that if we seek IMF assistance, it does not guarantee economic recovery. What we really see is that when the other countries sought IMF assistance, the situation became worse. Take Indonesia for example. When Indonesia went to the IMF, the rupiah fell from 2,500 to the U.S. dollar to 3,600. When they received IMF assistance, the value of the rupiah strengthened a bit to 3,200 to the US dollar. But, it soon plunged to the level of 16,000 to the dollar. It is the same with the Korean won which did not improve after getting IMF assistance, it became worse instead. That is why we do not see any reason to seek the help of the IMF because it cannot guarantee the strength of our ringgit. Instead, we take the efforts ourselves and the situation is not as bad as the other countries which have sought IMF's help. That is why we choose not to go to the IMF.

PROF. HAMDAN: Datuk Seri, newspapers yesterday reported that an IMF official had said that the "the worst is over for all except Indonesia", if I'm not mistaken. What do you say to this ?

PM: This prediction has been made time and again by other people three months, six months ago. At first, some said that the crisis would last for only three months but it has been a year now. So, such predictions can be made by anybody but there is no way to know whether their predictions are right.

S. AMIN: Let's turn to Malaysian entrepreneurs. We know that the government has allocated various funds with low interests to enable them to contribute towards the nation's economic recovery. But the targeted groups are still complaining as if they have not been able to benefit from them. Can you please explain what is the real problem and if there are problems, what will the government do to rectify the situation.

PM: Firstly, the interest rates are still high, although the BLR (base lending rate) is only 11 per cent, the banks increase their profits by as high as 4 per cent making it 15 per cent and sometimes 16 per cent. Consequently, it is hard for the business people to make profits and they are reluctant to take up loans. Secondly, the banks themselves are not too keen to give out loans. Sometimes, loan applications are simply rejected or they give this or that reason. We know that the banks look for easy ways to enable them to make profits. In the case of the fund for small and medium industries, the government has allocated RM1.5 billion for them. But within the period of four months or three months, only RM40 million of the RM1.5 billion has been used. This is way too small. They seem to say that this won't bring profits, it is not good and so they can't give out the loans. This means that even if the government try to provide sufficient funds, there's no cooperation from the banks or the high interest rates imposed

causing the funds to be underutilised.

S. AMIN: What are the future plans involving other methods to enable the funds to reach the targeted groups ?

PM: Yes, we are trying to discuss with the banks and advise them to give out more loans. Here, we face a problem that is the universal view that the government or people in power should not direct the banks to give out loans by saying that this is contrary to market policies. So banks must be free to make their own decisions. If we can't order the banks, our objectives would not be fulfilled. But if we continue to direct the banks we'll be criticised. Not only that, sometimes our currency will be further devalued.

CHUA: With the current economic slowdown, the government's revenue has been on the decline. Does the government has sufficient allocation to pay for the country's development and expenditures?

PM: Yes, enough if we have a deficit budget. But if we try to finance all the administrative and development costs with the our revenue, of course it is not sufficient because we depend on the profits made by the companies. Previously, there were companies which made profits up to even two billion ringgit. If they make a profit of two billion ringgit, 560 million will be given to the government in the form of tax. Now they are making losses, so we don't get 560 million, in fact we are getting so little and there are some companies which make complete loss. So, we don't collect any taxes from them. And so the government's financial position becomes so weak to the extent that next year I am confident that we should have a deficit budget.

PROF.HAMDAN: Is Malaysia forced to borrow money from abroad?

PM: Yes, we have to borrow money from abroad because that is the only way to meet the financial needs either for the government or for economic development by the private sector. We don't have any other way except to borrow. If we try to release (more money), we have to print more money, it will result in the value of the ringgit declining further.

PROF.HAMDAN: Datuk Seri, on the outflow of our money, is it still happening and if so, what are the actions that should be taken to ensure that people don't do it because it will definitely be a big loss to us.

PM: There are two views on this. There is an outflow of our money because of the interest rates on loans, fixed deposit interests in other countries are higher than in Malaysia. So, those who intend to get higher interests will take the money outside the country. The second is that some are of the opinion that the interest rates in Malaysia, although less than that of other countries, are considered high by business people and so they don't borrow money. When they don't borrow money, the money will not earn interest through savings. That is why there is an outflow of money.

If we lower the interest rates, industrial business activities will increase, many will then need money and the money will become "cheap". They will borrow the money and hence there will not be any outflow of money. The money can remain in the country and will earn interests for those who put their money in the country.

S. AMIN: Datuk Seri, in the government's effort to revitalise the economy, one of the steps that we will do will be to give what is termed as

soft loan to certain entrepreneurs to allow them to restart the conomy and their business. But there are those who are apprehensive over the usage of this soft loan. They fear that some might use it to pay their debts overseas and so forth. So, what is your view on this matter and will the government take the necessary steps to ensure that the soft loans are utilised to revitalise the economy.

PM: We can give soft loans only to certain projects which we consider worthwhile and can take off the ground. So we know that the money is being used for that particular project. In fact, we don't release all the money but we give little by little according to the progress, in instalments and so the worry that the money will go outside the country is less. I dare not say that we should abolish it but if it (the amount) could be reduced, we can then give.

CHUA: Datuk Seri, the government has provided incentives for Malaysians who bring back their savings overseas, but there are still some who are apprehensive about bringing back their money because they perceive that there is no sincerity on the part of the government. So what is your assurance to them so that they will bring back their money into the country.

PM: We have tried. For instance, by not imposing any tax on monies that are brought back to this country. But they still don't want to do so because if they bring back and then use it for their business, they may be questioned by the Income Tax Department. They will be queried where they got the money in the first place, and if they give an answer, they may be taxed anyway.

Now what we need them to do is to make a report when bringing in their money. They must report how much they have brought back so that when they use it for their business, we know that the money will be tax exempted.

But they are not so happy to make a report for fear that they will be queried on "when, how come so much" and many more questions. It is true that the Inland Revenue Board will ask questions and sometimes they raid and take away documents. This will cause fear among the people and that is why not much money is brought home.

PROF. HAMDAN: Datuk Seri, I know that there are still reports saying that many companies had to close down and as a result many people lost their jobs. Sure will there be measures to tackle this problem?

PM: We agree that there are people who are unemployed because of this economic downturn, but so far not many. But we are fortunate because even before we have this problem, we already have more jobs than workers. And because of that there are about two million foreign workers here. And if there is a situation where people are jobless, then those people should be the foreigners and we can send them back and our people can replace them. But we should not be choosy, if we are choosy, it will be difficult for us to provide that particular jobs for them. I believe that our situation is better than many other countries which are not able to provide jobs for all their people and as such if there is unemployment, they are left without any other choice. In the case of Malaysia, because we have more job opportunities than workers, and if something happens which compels us to retrench workers, then we will ask them to retrench those foreign workers. Our workers not need to be jobless.

S. AMIN: Datuk Seri, one more thing is about the formation of the

National Economic Action Council (NEAC). We know that it was formed in January, but since then the people are still asking what the council has actually done. Could you elaborate on this.

PM: At the initial stage of its formation, the NEAC did a comprehensive study to determine the situation, and what measures to take to handle the problems faced by the various sectors. That had been completed and (the reports) received by us. At the same time, we took action to overcome this problem and the action has been accepted by the government and announced as a government action, not NEAC action. NEAC only gives opinions to the government. One of the NEAC's decisions for example, was that all our trade must be conducted using our trade partners' currencies, not with the US dollar, this was one of the NEAC's decision, and we also said that we have a 'bilateral payment arrangement' together with ASEAN, that is we don't use money completely to trade, but we balance our import and export trade and we pay only the difference. If there is a plus, we pay to the foreign country, if there is a minus, they pay to us. So all this has been done as a result of the NEAC's decision. Another NEAC's decision is about the NPL (non-performing loans) and for that we formed the 'asset management company', Pengurusan Dana Harta Nasional Bhd (Danaharta). We have implemented many of the NEAC's decisions but we didn't make noise because of the concern if that we did something not liked by foreign currency dealers, they would use this as a pretext to pressure and bring down the value of the ringgit and also to sell our stocks so that our stocks would plunge further, and because of that we didn't make much noise about what is being done by the NEAC.

S. AMIN: Another thing, Datuk Seri, is about the foreign investors, some say that now you are actually not that interested in foreign investors. What is your reaction?

PM: Not true. Actually we classify foreign investors into two groups. One group invests in Malaysia to manufacture goods for domestic use or to be exported. This we really encourage, provide incentives and others and we can see that almost all countries have investments in industries in Malaysia. To date they are still investing. But they are another type of investors who are only interested to buy shares in the stock market. According to the stock market practice, when shares are bought continuously, the value of the shares will go up. When they are sold, the value of the shares will go down. So what they do is that they buy continuously until the value of the share goes up so high to the extent it has got nothing to do with the companies' profits or assets. When it goes so high, they sell, make profits. So when they sell to make profit, then the shares will go down, until now either below the 'issued price' or below one ringgit 'par value', way below that. As such, we are not really interested in them as investors because this brings losses to our companies. We are interested in those investors who want to put their capital here, to produce goods.

CHUA: Datuk Seri, what type of investment Malaysia encourages and welcomes?

PM: We want investors who come here and build plants to manufacture microchips or radio, tv, goods including in the MSC (Multimedia Super Corridor), to do business in a big scale in the MSC, produce software programmes, hardware, manufacture animation, for example. That we encourage and we still ask them to come and we get a good response. What we

discourage is that those who only want to play with our stock market because it is a type of gambling. In fact stock market no longer functions as a place to determine the value of the shares of one particular company. The stock market is also no longer a place to seek capital for business. It has become a place to gamble, that they buy shares to increase the value. When it goes up, they sell the shares, take profit. So those who are left with their shares are to face losses because the value of their shares has gone down. This is the problem now. We are not interested with people people like that.

PROF. HAMDAN: Datuk Seri, I have to ask this question, many consumers are complaining about the increase in the prices of essential goods especially food and we hope you can assure the consumers of the government's appropriate measures to ensure that the price of essential goods especially foodstuffs are affordable to them.

PM: If we compare Malaysia with other countries, we are actually special because the price increase is not drastic. In other countries the price increase is high. We are a bit extraordinary because we practise 'price control' although we do not have wars. Usually 'price control' is practised during emergency or war. But although we are not under emergency we still 'control' essential goods and therefore essential goods need not be raised quickly unless there is a reason. And the usual reason to raise price is because the goods are imported. For imported goods we have to accept the price which has escalated in the country of origin of the goods. When the price of milk, for example goes up in Australia, we cannot buy it cheaply. So we have to pay at a higher price and many of the stuffs that we import -- milk, wheat, sugar and meat -- we have to follow the escalating prices overseas. When the goods come in, the prices become higher. When the price of these goods increase eventhough we try to control, the traders will have to find extra money to buy the goods. As a result they jack up the prices. We have to control this because it is the habit of traders to take the opportunity to increase the price. For instance, let's say if the price of oil goes up 10 per cent. They say since the price of oil has increased 10 per cent, their goods too must go up 10 per cent. We ask them why the 10 per cent increase? How many per cent of the oil constitutes the cost of your goods? We found out that oil constitutes only 10 per cent or five per cent of the whole cost. So if oil increases 10 per cent, he can only jack up the price 0.5 per cent. But they usually increase the price up to five per cent or 10 per cent and therefore we can control a bit.

Although we are facing this problem, our inflation figure is not that high as before. We admit that we cannot control the price of foreign goods. When the ringgit falls, we have to use more ringgit to buy imported goods, previously if we bought an item that costs one US dollar, we only need to pay RM2.50, now we need RM4.20. This means that items which cost one US dollar before, we have to pay RM4.50 and not RM2.50. This is why the price has gone up. But what we can control is to ensure that this will not spread to other goods unfairly, without reason. This is what we are trying to do.

CHUA: In the effort to control prices, what about the supply of goods?

PM: Yes, we try to reduce the supply of imported goods, because we are short of money to buy. But there are goods that we cannot reduce too much because they are essential goods. For example, if we build Proton cars we have to buy the engine from Japan. So we cannot say that we reduce while actually the market has shrunk but we still have to buy the engines. So

things that we could avoid like branded shoes, expensive imported neck-ties, we do not need to buy. Therefore we reduce imports. So our imports have reduced drastically and our exports exceed imports. And the balance of payment is now in our favour.

S. AMIN: One more thing Datuk Seri is the advice to the people that we always hear to increase their savings and not to over-spend. Sometimes this is counter-productive to improving the economy. What is your opinion?

PM: This has lead to a misunderstanding among the people on what we should do in the current economic downturn. If we save, it would benefit us in many ways if we save it in the bank, the money could be used by businessmen to conduct their business and can be lent out. But if we do not spend our money, and keep it at home, it would reduce money in circulation. And if we do not use our money to buy goods, the traders would suffer. What could they sell if for example, nobody buys 'nasi lemak' from the 'nasi lemak' seller. We don't want to cause hardship to him. We want his business to prosper.

So the government wants the people to spend wisely which means that we avoid buying unnecessary especially imported goods. We reduce it. We have to spend wisely so that small businessmen would not be in trouble. Nevertheless if retailers try to take advantage by jacking up prices up to 100 per cent, then we do not buy. This is meant by wise spending. So we have to avoid the price of goods to increase and at the same time we do not want the businessmen to suffer losses.

PROF. HAMDAN: Datuk Seri, sometimes there are grouses on the "Buy Malaysian" campaign. But Fomca supports it and we would like to know steps taken by the government and directives to the private sector to "Buy Malaysian".

PM: We find that Malaysians are still not confident on the quality of Malaysian-made products, although these products are now sold world-wide as quality products. So we must overcome the feeling that our products are of inferior. That's why I welcome efforts to hold the "Love Malaysia Campaign" which displays Malaysian-made products to make them more known.

Actually, the people do not realise that Malaysian-made products are of high quality and that if we buy a shirt in New York, for example, and give it to our friends back here and they say that it is "Made in Malaysia". This is as if "Made in Malaysia" goods are not good.

But actually we now must cut down on buying imported goods by buying Malaysian and we should not worry about their quality. At the same time, the products must be sold at a reasonable price.

S. AMIN: The other thing is on the Special National Fund. Are you satisfied with the people's response?

PM: To say that I am satisfied, I am not, however we find that the people responded as much as they could, some with coins, jewelleries and others. But the amount is not much. But as an evident of the people's spirit, it is satisfactory. We are thankful to the people who are willing to donate to the country's economic recovery. This makes us all stronger.

PROF.HAMDAN: Datuk Seri, for those who did not have the chance to donate to the fund as they did not have enough money but would still like to do so. How could do they it?

PM: We accept them anytime and it is not necessarily in the form of money. It can be in any form of valuable things. May be just a little, we are not asking much, but the spirit is important. Even if they give one sen, when accumulated, we are happy as this will show the people's spirit.

CHUA: Is the habit of savings helping the country in the present situation and is it among the moves encouraged by the government?

PM: Saving in our banking system is good, because the money is mobilised, used. If we save our money under the pillow for example, it would not bring any benefit. I would like to ask those with jewelleries...The jewelleries alone would not bring any profit, it is only for the sake of looking nice by wearing them. But if they were to be deposited in banks, mortgaged with the hope that they get it back later, they could increase the country's capital. So, savings in that way could be beneficial. By keeping money or valuable possessions in a way they cannot be mobilised, it would not bring any profit, and that is a big loss.

PROF. HAMDAN: I would like to know what is the consumers' role in the present crisis. Sometimes they only want the government (to take action) but they have their own role.

PM: Yes, like what I've said just now, the consumers must be wise in their spending. Of course they have to reduce buying imported products as the local products are fairly priced. They should only buy from those who sell with a fair price. For example, for those found profiteering, the consumers should stay away from them. But we have to be careful not to make hasty decisions such as boycotting and others as each time we do this somebody will lose. So, I think the consumers' role is very important as we are all consumers. A person who produces goods, a seller, at other times is also a consumer. So, when they are selling, they should not take advantage as when they are the consumers, they get angry at other people. So, the consumers must advise constructively. God willing, we don't have much problems in Malaysia.

Sometimes we find in other countries open demonstrations held because people are angry, in France for example, lorries blocked roads. That increases costs. We have to remember that our actions could trigger actions far worse than our earlier intentions. If we have done something that would increase costs, we would not benefit from it. In this context, you Professor as the consumers' leader should know that any actions must be taken only after careful study and consideration.

CHUA: Datuk Seri, what is the attitude that should be adopted by consumers, should they be patient and wait until the crisis is over. How should they face the current situation?

PM: Firstly, the consumers should understand the nature of the problems we are facing. If they, for example, have the wrong impression by saying that it is all because the government is corrupt, accusing the government of various wrong-doings without first verifying them, and because of this they act irresponsibly. In the end the consumers themselves will lose out. At the same time, if there are unsavoury practices, the consumers themselves must expose them. After studying them, sometimes it is found that they have basis and sometimes they are found to be baseless. This is

where we need consumers to be a force to safeguard the country's economic stability during the turmoil by not taking irresponsible actions. In Malaysia, we do not see this happening but in other countries, we see that the consumers do not bother about the reasons behind certain things. They just react. For example, if the prices of milk increase because of price hikes in Australia and our ringgit falls, they don't seem to care about this. They ask for milk to be sold at lower prices. So, if it is to be sold cheaply, someone has to bear the burden. If not the government, the importer must pay but how long can they pay. This is a matter which I think should be understood by consumers - know the reason before taking any action. But if they are found to have basis, we will take action.

S. AMIN: As far as the Buy Malaysian campaign is concerned, how far has it been effective ?

PM: I think that it is effective, effective enough. I've just launched the Love Malaysia Exposition campaign with more than 400 booths displaying Malaysian-made products. Yesterday, I received a report stating that not less than 90,000 people have visited the exposition whereby they have been exposed to products made in Malaysia. It is true that the purchase of foreign products has been on the decline. This is why the Malaysian trade figures for the first three months show a surplus of RM16 billion in terms of exports over imports. This means that we are buying locally made products, not imported ones.

PROF. HAMDAN: Datuk Seri, shall we turn to rice which is a basic commodity. There seems to be a question whether or not to regulate the price of "super grade" rice because even if the grade is the same, prices can differ by as much as RM5 or RM6. Your comments.

PM: Yes, we have been involved in controlling rice for a long time. But it is difficult for us to control rice traders. For example, we used to control the super grade before. But some people said why should we control the item which is used by rich people, they can choose to buy normal rice if they don't have the means. Then we say O.K. we'll not control it. But sometimes we find that traders mix them up, they say it is super grade but they add in 10 per cent or 5 per cent normal rice. How do you expect us to go and check each shop one by one. The problem now is that sometimes we find that retailers are not being honest. They get high-grade rice but to reap profits, they mix it with low-grade rice. Unless buyers themselves do the verification, they would not know this. This is why the public is complaining why rice is expensive when the grade is not as good. Unless we have many officials who can check every shop, we cannot control. There are things which the government simply cannot do.

S. AMIN: Datuk Seri, compared to other countries, it can be said that we are more fortunate than them although we are facing an economic downturn. We don't see the need to go to the IMF, we don't have riots or strikes and so on. What is the real reason behind our country's peace despite the economic problems ?

PM: Some people may think that we are heaping praises on ourselves. But actually, the country's policy is one which provides equality to all. In 1969 for example, a race riot flared up which was caused by the perception, especially among the Malays, that they were poor in their own country when foreigners were richer. And towns were found to be owned especially by the Chinese. Therefore, they rioted and burned shops, cars

and so on knowing that the Chinese owned them. After we implemented the New Economic Policy, we succeeded in raising the standard of living of the Malays and other Bumiputeras. Now they are so successful that they are now owners of shops and cars in towns. So, if they riot now and burn shops and cars, they may be torching cars owned by the Malays themselves. So they do not do it. This is why when there is no ill-feelings among the Malays towards the Chinese, we do not have riots. At the same time, the Chinese community accepts the New Economic Policy as an insurance against the recurrence of the 1969 riots. This is the approach taken by way of the NEP. We try to create among the Bumiputeras and the Malay middle-class citizens, rich people, millionaires and billionaires to strike an equilibrium among the races. So, there's no more ill-feelings. If we don't have this balance, I'm sure that riotings will happen and in this climate of economic downturn, we would be facing other political problems.

S. AMIN: To summarise, can you please tell us whether we are really certain that we will be able to overcome the current economic turmoil?

PM: Personally, I'm confident based on the unity of the people and their full support for the government. This is important since the party which will make the decisions is the government. A government which is not certain that it has the backing of the majority of the people is a government which can't act. We see everywhere that when the government is weak, they'll have problems. Whatever they do will be criticised by certain people causing them to be afraid to take the necessary action. Thank God in Malaysia, the Chinese, Malays, Indians, Kadazans, Muruts, Bajaus, all are in support of the government. Because of that, we are brave. For example, we are brave to reject a proposal that we seek IMF assistance. We are brave because the government is strong and the people support the government. This is why I believe that with this support, when the government makes any decision there will be critics, but the majority will back the government and with this the government's action will be more effective. This is my wish, that is with a continuous support to the government and without any chaos, riots, strikes and so on, we will be able to overcome the problems we are facing now.

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