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Secretary shares our view on high interest rates: Dr M

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US TREASURY Secretary Robert Rubin concurs that high interest rates are damaging to a country's economy, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

Dr Mahathir said Rubin had raised the high interest rates issue at his meeting on Sunday night with Tun Daim Zainuddin, the newly-appointed Minister of Special Functions in the Prime Minister's Department.

However, the Prime Minister said, issues related to interest rates were not brought up at his meeting with the US Treasury Secretary yesterday.

"No, that was not raised ... in fact, all these (issues) have been raised by him and Tun Daim, and he (Rubin) agrees high interest rates are damaging to the economy," he told newsmen after chairing the National Water Resources Council in Kuala Lumpur yesterday.

He was asked whether issues related to interest rates were discussed at his meeting with Rubin, who began his two-day visit to Malaysia on Sunday.

Rubin had met Daim at a dinner on Sunday, which was hosted by Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim soon after his (Rubin) arrival.

Dr Mahathir said economic issues dominated his discussion with the US Treasury Secretary but were on a general basis.

"Both of us exchanged our views on the current economic situation and we all agreed that the current economic problem is a world problem.

"Nothing specific was discussed, except that we all agreed that this is not a Malaysian or Asian or East Asian problem. It is a world problem and the world must take action or figure out how to resolve this," he added.

Dr Mahathir said he also explained to Rubin the need to regulate currency trading during the discussion.

"I pointed out to him (Rubin) that in currency trading, we don't know who is selling and who is buying because when you sell ringgit for US dollars, it is also the same as selling US dollars for Malaysian ringgit."

He was responding to a question whether Rubin had indicated a need for Malaysia to open up its financial and banking system when he (Dr Mahathir) met the US Treasury Secretary.

Dr Mahathir said, "No, he (Rubin) didn't (mention the matter)... not to me. He may have done that when he met somebody else."

On whether the Government will be pursuing an inflationary policy following its move to reduce the statutory reserves requirement and increase fiscal spending, Dr Mahathir said inflation in the country is still under control.

"It should not be inflationary. Actually, there should be high inflation now but we have been able to control inflation in this country."

"The only cause for inflation in this country is imported inflation. If you buy sugar now and because you have to use foreign currency that increases the price of sugar.

"If the price of sugar rises, people might try and raise the prices of their goods in order to buy imported items. That is what causes inflation, not interest rates," he explained.

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