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PM: Govt working out formula on setting interest rate

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THE Government is working out a formula to try to reach an interest rate level that is agreeable to the banks while, at the same time, not place a burden on borrowers, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"We have some ideas on how to go about it. But at the moment, we are not able to divulge further details because these things are very sensitive (to the market)," he told reporters after chairing a two-hour long Barisan Nasional (BN) supreme council meeting in Kuala Lumpur yesterday.

"We have to handle this matter very carefully," he added.

Dr Mahathir said one of the problems in tackling the issue is that "sometimes, interest rates on ringgit loans are higher in other countries and people tend to migrate (their money) to those countries concerned to take advantage of the higher deposit rates.

"Therefore, we have to be very careful when lowering the effective interest rates," he added.

The effective interest rate is the rate consumers borrow at.

Dr Mahathir said the most important thing is the effective interest rate and not the base lending rate (BLR).

"The BLR is okay as far as we can see, but the effective interest rate (of local banks) is very high," he said.

Last Saturday, the Prime Minister had urged local banks to cut their lending rates, saying they should not make too much during hard times.

On when he would expect to see a uniformity in lending rates by local banks, Dr Mahathir said: "We can't say precisely, but I think once one bank does it, the others, if they have the funds to lend out, will follow."

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim, who was also at the meeting, said several local banks have already lowered their effective interest rates following Dr Mahathir's call.

On the meeting, Dr Mahathir, who is also BN chairman, said the party leaders discussed issues pertaining to the "current economic situation in Malaysia, the various steps being taken, why and how the crisis happened and the BN's role in protecting the country's economic interests".

"This is the time when all BN members should stand united and together, explain to the people what is going on in the country to avoid any hardship among the people," he said.

Dr Mahathir said during the meeting, some BN leaders had raised some points. "We discussed these points and we clarified what we (the Government) are trying to do and I think that will serve as an information base for them.

"For example, the BN component leaders concerned raised the point that some countries felt that Malaysia should adopt a soft stance and not be too aggressive (in its policies).

"We explained to them that even if we were not aggressive, we will be lambasted as well. Therefore, whether we should be aggressive or not in our stance, that is not much of a problem," he said.

Dr Mahathir said some BN component leaders had asked why people seemed to fear making public statements these days.

"The fear is on making statements or taking actions which are not to the approval of market forces as these market forces will pressure the economy by devaluing the currency or influencing a flight of capital to another country.

"That we have also explained (to the BN component leaders), on what we (the Government) are going to do to overcome this fear," he added.

On his recent interview with the Times magazine which had featured him as "one angry man who thinks the West is out to wreck Malaysia's economy", Dr Mahathir said: "As the interview lasted one hour, only small extracts of my answers were printed and most of which sounds very negative.

"Because when you try to compress an answer into one sentence, you invariably carry the wrong message.

"But I have no right to demand that I should have my full answer be printed in the Times because that is the freedom of the press. The freedom of the press means you can suppress news which you don't want especially news about people so unpopular like myself.

"That is part of the freedom that you have," he said.

Asked whether he would take any action against the Times, Dr Mahathir said: "No, why should I take action? Freedom of the press means the press can say anything it likes but we cannot say anything we like."

The Times had featured its interview with Dr Mahathir in its June 15 edition.

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