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Some proposals already adopted: PM

Kamarul Yunus

THE Government will implement most of the recommendations put forward by the National Economic Action Council (NEAC) barring specific objections, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

"Some (of NEAC's recommendations) have already been implemented, such as the setting up of the asset management company (Pengurusan Danaharta Nasional Bhd) and the special purpose vehicle to recapitalise banks.

"We are also in the process of borrowing money and issuing bonds ... all these are NEAC's recommendations," he told newsmen in Kuala Lumpur yesterday after a dialogue with chief executive officers (CEOs) of local trading companies.

The meeting was organised by Malaysia External Trade Development Corp.

Dr Mahathir, who is also NEAC chairman, was asked whether the council's recommendations would be implemented by the Government in full.

The Prime Minister also said that the NEAC has started looking at each sector of the economy with a view to speeding up the country's economic recovery.

"For instance, in the agriculture sector, the policy now is to produce more food domestically," he added.

Dr Mahathir said some of the measures recently adopted, for example those related to the financial sector, have begun to show results.

A case in point is the reduction in interest rate spread which followed Government policy adjustments such as the lowering of the Statutory Reserve Requirement (SRR) for banks, he added.

"The interest rate was high before, not so much because the base lending rate was high, but because of the spread ... they (spread) were as high as 4 per cent when they should be just half a per cent.

"For the very best customers, there should not be anything over the BLR at all. But banks, somehow or other, do not feel the businesses can do well.

"Therefore, they try to reduce risks by increasing the spread and this has caused the interest rate to go up very high. At the same time, some banks have no money because people do not place deposits in local banks ... they (banks) have to turn to inter-bank borrowings and this is added cost," he added.

Taking this into consideration, Dr Mahathir said, the Government decided to reduce the SRR to lower the cost of money to the banks.

"So the spread is very much lower now and I think the interest rates have come down."

(END)