

23/01/1998

PM: No liquidity problem

Francis C. Nantha

KUALA LUMPUR, Thurs. - Malaysia does not face a liquidity problem, Prime Minister Datuk Seri Dr Mahathir said today.

"We have enough liquidity which is over RM490 billion," he said after chairing a meeting of the National Economic Action Council at the Economic Planning Unit.

He said today's meeting had identified several areas with focus on ensuring liquidity in the banking system with several suggestions made on how to overcome liquidity problems if they arose later.

"But none had been finalised. I cannot disclose it.

"There is no credit squeeze this year. The credit squeeze was last year," he said. "There shouldn't be a problem in getting loans," he said.

Dr Mahathir said the perception of tight liquidity was due to a misunderstanding which had resulted in some companies finding it difficult to get loans.

Since the Government has directed banks to focus lending to productive sectors like manufacturing and agriculture, such companies should have no problem, he said.

But he acknowledged that some companies in industries that have been designated productive areas had faced difficulties in getting loans due to the confusion.

As such, Bank Negara had been directed to clarify this matter with the local banks, which in turn are expected to explain this policy clearly to the people and business community.

Dr Mahathir also said there was no need to bail out companies despite the current economic difficulties.

He said mergers have already been encouraged for banks and finance companies but the final decisions would be left to commercial considerations. For other sectors like telecommunications, while the Government has yet to make any official statement, Dr Mahathir said he would be happy if mergers took place in that sector too.

Also, he said the Government would not single out any company for special favours as all companies should be helped.

"If they have legitimate reasons, we will have to look at them...there is no question of a bail-out."

But, he explained, viable companies that need some ready cash to revitalise their business should however not be deprived of the chance to turn around.

Asked on whether Malaysia has been transparent in currency trading, he said: "In Malaysia, it is transparent."

On other measures the Government would do to restore investor confidence or whether it has done enough, he said: "A lot has been done to restore investor confidence..."

"I think the investors are quite confident (about the measures taken) and by (us) doing the right thing," he said.

"It also depends on the reaction of the investors. If the reaction is wrong, then we know the measure taken is wrong."

Dr Mahathir added: "We wouldn't really know what creates confidence... because confidence varies between people."

"Sometimes we may go wrong, but we would do our best to resolve (any problems in) the market structure."

When asked by a foreign journalist (Australian Broadcasting Corporation

senior correspondent Evan Williams) whether he would step down as a result of the current economic problem, he said:

"I don't hear anything about stepping down at all."

He added the Government worked as a team and did not function on the basis of individuality.

Dr Mahathir cited NEAC as an example where they worked hand-in-hand in resolving problems faced by the country.

"We are a team here. We don't function just based on any particular individual," Dr Mahathir said.

(END)