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PM: Economic situation yet to improve despite IMF endorsement

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JITRA, Tues. - The economic situation in the country has yet to improve although the World Bank and International Monetary Fund have acknowledged the strength of the country's fundamentals and various reform programmes undertaken so far, Datuk Seri Dr Mahathir Mohamad said.

Citing the current value of the ringgit, the Prime Minister said: "The IMF had made similar acknowledgments before ... however it is the currency traders who decide whether to strengthen our currency or not.

"Somehow, we find that although the IMF, World Bank and other parties acknowledge the strength of our fundamentals, our ringgit has depreciated."

Dr Mahathir was asked to comment on the statement by IMF deputy managing director Stanley Fischer yesterday.

Fischer had described as impressive the reforms to Malaysia's banking and financial sectors and praised additional measures to restore investor confidence.

Speaking to reporters at his Hari Raya Aidil Adha open house at Dewan Jitra, Dr Mahathir said the ringgit was previously traded at RM2.50 to the dollar but was now valued at RM3.70 to RM3.80 which consequently led to higher prices which burdened the people.

Asked if the Government had additional measures to overcome the problem, he said: "I do not know what other measures we need to take. We have taken the necessary measures but the ringgit is still weak."

On how much the ringgit should be valued, he said it should be at the old level of RM2.50.

On the progress of his suggestion to regulate currency trading, he said although the IMF had promised to study the matter, there were still no plans towards that effect.

On the reason for this, Dr Mahathir said: "I don't know but I think it is very simple ... as long as the currency remains volatile, they (currency traders) will make money.

"If the currency is stable, they won't make any profit. So they are actually not interested in returning things to normal."

On talk that there would be more corporate failures after public-listed Wembley Industries was placed under receivership recently, the Prime Minister said: "If you talk then it will happen If we say the company is winding up, then everybody will dump their shares, the value of the shares will drop and the company will go bankrupt ... so it is all up to us."

Asked if the Government planned to help ailing companies, he said if the Government did so, it would be seen as a bail-out.

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