

28/06/2001

Interest rates not likely to be adjusted: PM

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MALAYSIA is unlikely to adjust its interest rates despite the possibility of another round of key rate cuts by the US central bank, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

Interest rates alone do not determine the performance of the economy as there are many factors at play, he said.

"There are other ways of bolstering our economy. We have the National Economic Action Council (NEAC) closely monitoring the economic figures... every week. It used to be every day at the height of the crisis.

"It identifies areas which are not doing well and come up with corrective measures," Dr Mahathir told reporters after opening the World Economic Development Conference in Kuala Lumpur yesterday.

Malaysia will not mimic Washington in cutting interest rates, the Prime Minister said.

Asked about the possibility of the gross domestic product (GDP) for the second quarter not being as favourable as the first, he said given the current global economic conditions, a 3 per cent growth is considered good.

"Malaysia is not going into recession. The only negative first quarter growth we experienced was in 1999. Now we have recovered and there is growth. Do not compare quarter by quarter, but year to year," he added.

The Malaysian economy posted a year-on-year GDP growth of 3.2 per cent for the first quarter of 2001.

"The US accounts for 20 per cent of our total trade and because of the slowdown, Americans have not bought as much as they used to. This has also affected our other trading partners," he said.

Asked about the appointment of a new Finance Minister, Dr Mahathir, hinted that there was no hurry.

"We have the NEAC. When Tun Daim (Zainuddin) was around, it was also not his decision alone but a joint effort. We are all in the same committee and we can manage, I think," he added.

The Prime Minister is currently holding the finance portfolio on a temporary basis.

During a question and answer session at the conference, Dr Mahathir was asked about the competition for foreign direct investments (FDIs) by China and the rest of Asia.

"China with its population of 1.3 billion hardworking people can still keep wages low. What more with a better investment environment, they will attract foreign investments.

"We in South-East Asia must learn to attract FDIs in niche areas even from China. Because we have certain assets that China does not have, we must make the necessary adjustments," he said.

When told that globalisation is not intended as a vehicle to dominate smaller and weaker economies, the Prime Minister pointed to Malaysia having lost some US\$250 billion due to the havoc created by foreign currency speculators.

"The fact remains that there is harm done. The currency speculators come in to collect money for themselves, while at the same time 'disciplining' our governments.

"Today, we see that there are no more Economic Tigers in East Asia and they are even prevented from coming up again," he said.

In his speech earlier, Dr Mahathir outlined five guiding strategic

imperatives to address globalisation. They are rationality, readiness, representation, responsibility and self-determination.

"We must not turn our back on the good of globalisation, just as we must not embrace blindly the bad. To do so is irrational," he said.

Malaysia subscribed to the concept long before globalisation became a household word. The country opened up its economy right after Independence and has provided attractive incentives to draw foreign investments, Dr Mahathir said.

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