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MAHATHIR-RATES

MSIA DOES NOT FIDDLE WITH RATES TO EXPAND ECONOMY

KUALA LUMPUR, Sept 3 (Bernama) -- Malaysia does not depend on fiddling with interest or exchange rates or pump-priming on their own to achieve economic growth, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

"We study and correct every segment of the economy in order to keep it right on track," he said at the opening of the Capital Market Summit here.

He said that Malaysia's approach has paid off because its fundamentals remain strong and there has been full recovery in the face of adversities.

"We don't fiddle around with interest rates as a measure of solving economic problems. In Malaysia, we look at every aspect of the economy to take corrective action and not depend on just one factor," he said.

Later, when asked by reporters whether interest rates were low enough, he said: "I think they are low enough."

Referring to the RM3.80 peg against the dollar, he said this remains sustainable and is consistent with the country's economic fundamentals.

This is despite calls from certain quarters to devalue the ringgit in order to make Malaysian exports competitive and increase export growth.

He said there would be minimal impact on any devaluation because regional exports were dropping drastically.

As such, it was wrong to assess a country's competitiveness exclusively on the basis of the value of its currency against that of competing currencies.

Given Malaysia's many positive attributes, the idea that devaluing the ringgit would make the country's products competitive does seem to reflect rather casual and shallow thinking.

On the stock market, he said it is for serious investors with strategic outlook and sincere intentions to make profits over the long term.

"Do not gamble on the stock market simply because rumours may be circulating freely.

Malaysia's selective and exchange controls have borne fruit and insulated its economy from external threats beyond the country's control, especially unscrupulous rogue speculators, he said.

The country has also examined its own weaknesses and had taken various measures to correct its past mistakes, he said.

"Just as much as the world is vindicating Malaysia on the justification of our so-called unorthodox controls, we are also beginning to see our efforts in enhancing corporate governance and transparency, restructuring and cleaning up poor performing companies and reducing extensive exposure to risk bearing fruit," he said.

Touching on the restructuring package of the public transportation system being put together by the Corporate Debt Restructuring Committee, he said it was still going on "as we try to resolve the debt of companies, but we have done (restructured) quite a considerable amount."

He said all these efforts were aimed at regaining investor confidence in Malaysia's capital market and local corporations.

Dr Mahathir said that the Asian financial crisis had revealed the need for unhealthy corporate practices to be eradicated and companies to be more transparent in order to gain investor confidence.

He also said the authorities were looking at strengthening the stockbroking industry by forming a group of well-capitalised domestic stockbroking companies known as universal brokers which could provide efficient and cost effective intermediation for investors.

As for the gradual liberalisation of the stockbroking industry and the state of readiness of local stockbroking companies, he said the domestic industry would be open to foreign equity participation over two phases beginning 2003. -- BERNAMA

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