

# Dr M: Work together for prosperity

**Question:** How will the East Asia Economic Caucus (EAEC) be promoted? I think it will take time before the EAEC can become a reality but I believe we should move towards its formation. But perhaps it would be better for countries to have state-to-state or region-to-region consultations for trade promotions.

**Dr Mahathir:** I agree that we can't hurry the process. It takes time. That's why we're gathered here, and you can hear the explanation from the horse's mouth, so to speak. We know that there will be resistance. We know that there will be suspicion. It's our duty to clear the suspicion and overcome the resistance. In time, people will realise that the EAEC is harmless to the rest of the world but good for East Asia. And since East Asia is going to be an important segment in the world economy, it should be allowed to decide for itself what it wants to do. It should not have its growth obstructed or hampered. It is our duty to explain the EAEC to those who are unhappy. In time they will come to rea-

**DATUK Seri Dr Mahathir Mohamad** was asked many questions during his recent working visit to Japan. For five days beginning Oct 20, the Prime Minister was asked to articulate on various issues ranging from the East Asia Economic Caucus to Japan's bid for a seat on the UN Security Council.

In his usual straight-forward style, Dr Mahathir fielded questions at the Asia-Kyushu Regional Summit held in Oita City, which was followed by a Press conference for the Japanese mass media. **AHMAD A. TALIB** sat in on both conferences. The following are excerpts of the exchanges.

lise that we mean no harm. The steps taken by some Japanese here have been the right step. We'll work together with that segment of Japan who understands and supports the EAEC. We really need the understanding of Japan to make the EAEC a success and a reality.

**Question:** You put forward a strong case for the EAEC in your speech at the Asia-Kyushu Regional Summit. Can you explain the EAEC vis-a-vis APEC?

**Dr Mahathir:** The EAEC and APEC are two different organisations. The EAEC can work as a caucus with

APEC. The EAEC is intended to help less developing countries and therefore it can fit within APEC. The EAEC is also intended to give a stronger voice in East Asia, especially in matters concerning investments and technology. It should help promote a crescent of prosperity for the region. APEC cannot be a trade organisation and be institutionalised as such because if there's going to be any trade liberalisation, it should be in the context of the World Trade Organisation. One must remember that some economies are weak and therefore can-

not be subjected to a wide degree of liberalisation.

**Question:** Your talk was really impressive, but you didn't mention security at all in your speech. East Asia cannot deal with security issues on its own resources. Just look at the threat posed by North Korea with its nuclear capabilities. Look at Europe with its triple defence mechanisms — NATO, the European Military Defence Network and Bilateral Military Arrangements. Asia hasn't reached that stage. We don't have a uniform military resources arrangement. What is your thought on the matter?

**Dr Mahathir:** Yes, I didn't refer to security in my speech. I don't think we should be obsessed with security any more. It is true that we should feel concern about people using nuclear weapons. But if there is going to be a nuclear war, it cannot be a regional war. A nuclear war will be a world war. The whole world will be threatened. Therefore, for security, I think we need total international involvement. In any case, can we really rely on any one country for our security?

We really cannot expect our security to be guarded by others. This is a fiction. If there's special interest, yes, there will be some help. Otherwise, no. But nowadays no one wants to send soldiers to defend things like human rights or massacres. You have to look at what has happened to Rwanda and Bosnia-Herzegovina.

have to pay because we borrowed Yen. Suddenly we find the Yen has gone by 50 per cent. It is not our decision and it is a burden to us. Yen can be pushed up or down. This is decided by certain people.

How can we push the Yen down? Well, why not reduce everything in Japan by 50 per cent? Not the exchange rate, leave the exchange rate alone. Reduce costs by 50 per cent and nobody is going to lose. Salaries go down by 50 per cent, then the price of beef goes down, transport costs, food, etc. What happens of course is that you're dealing with a smaller amount of money. But in terms of purchasing power, it is the same. You can buy the same amount if everything is reduced by that amount because everyone takes a 50 per cent cut. Cost of production will also be reduced by 50 per cent. Then your goods can be more competitive. Your goods will then cost 50 per cent less in Yen terms and therefore in exchange rate them as well. I think it can be done. The question is whether you want it done or not.

But if you allow the Yen to go up and be unstable, how can the Yen be used as a currency of settlement? Look at oil prices which are in US dollars. The US dollar depreciates against the Malaysian ringgit, and we lose money. On top of that, the price of oil has gone down. And oil is an important element in your economy. Japan gained because the

If there's war in East Asia, it'll be a world war because others will join. I think we should all try to resolve our relationships by ourselves. All of us have learned big lessons from the war - China, Japan, Korea.

They know that war will not win us anything. Therefore, we need to focus on getting together and understanding each other rather than deciding beforehand who's the enemy. The moment we identify our enemy that way we're setting the first stage of war with that country. We should not consider each other as enemies, but as friends, working together in order to trade for prosperity.

Malaysia has every reason to fear China. Look at the communist insurgents in Malaysia. They were supported by China, but now China and Malaysia are the best of friends. We have investments in China and they have investments in Malaysia. We work together. We can be friends. The Chinese realised that there's no benefit from military conquests. China would have been expansionary ages ago because we had dealings with it since the 15th Century. But we became a colony of the Portuguese instead, and then the British, who were many thousand miles away. If we work together towards a crescent of prosperity in East Asia, I think security will not be a problem. Merely arming ourselves by having more naval ships, or rockets, or Patriot missiles and all that will not resolve anything. By identifying your enemies beforehand will not help. Let's not concentrate on the security issue to the exclusion of the possibility of us working together.

In Europe, we see an unwillingness to solve problems. Despite the talk of violation of human rights where 200,000 Bosnians were murdered by the Serbs in front of their eyes, where 50,000 women were raped and two million Bosnians pushed out of their country, what have they done?

American dollar depreciates against the Yen. Therefore, the price of oil you pay today is one-third that which you paid during the first oil shock.

Actually, when you pay one third for your oil, the price of things in Japan should go down. But if I understand correctly, the price of things in Japan did not go down. You pay one third of the price and yet your prices have not gone down. Somebody is making money somewhere.

But if people managed their economy reasonably, and if there is no instability in the exchange rate, I think accepting any one currency as a currency of settlement will be reasonable. If not, we have to resort to some form of barter trade, which is what Malaysia has done.

But now we are told by the World Bank that we have no right (to do that). Of course we don't exactly barter or exchange goods. What we have done is to give some credit to our buyers of palm oil so that they can buy our palm oil with the credit we extend to them.

We are told now that as a developing country, we can't do it. But developed countries can extend credit and promote the sale of soyabean oil and other oil. I don't know whether it is possible for us to accept this kind of trade relations.

So with regard to exchange rates and world currencies, it's not getting any better. Of course, the people who trade in currencies are very happy. They make a lot of money. But who benefits actually? Nations do not benefit. Perhaps we should return to Bretton-Woods, but I don't know whether we can. I think there must be some discipline in the international currency exchange market. Until then, designating the Yen as currency of settlement is not going to help. Neither is the present use of the US dollar as a currency of settlement. The best method is still barter trade or counter trade. In other words, we should become primitive again...

Can we really rely on them to help us? What about the Kurds in Iraq? They were encouraged to overthrow Saddam (Hussein). They were slaughtered by Saddam.

We'd be making a mistake if we think that others will help us. The only way for us to keep the peace is by working together and we will see, for the first time, a situation in East Asia that is far more peaceful than in either Africa or Europe. We won't see the kind of things we see in Bosnia, nor the situation in Rwanda. If Asians want to be reasonable and understand the situation, we can do so. My observation is that we cannot rely on others, we have to rely on ourselves.

**Question: How can the Yen be brought to a reasonable level? Can the Yen be used as a currency for settlement in international trade?**

**Dr Mahathir:** I happen to have some radical views on currencies. They can go up and down and create havoc. The Yen has been going up all this while. Why? Because people want it to appreciate. Some people think that Japan had an advantage because the Yen was cheap. So, they forced the value to go up. These people are competitors to Japan. They think that a competitive Yen would make them uncompetitive.

When the Yen goes up, it is countries like us which

**Question: The Yen's appreciation has made you declare that Malaysia will not borrow any more Yen. Would you consider borrowing from Japan if the currency is in the US dollar, for instance?**

**Dr Mahathir:** The appreciation of the Yen was to enable other developed countries to deal with Japan. For us, we have to pay at least 150 per cent of our money for the Yen we borrowed as a result of the appreciation. There is likelihood that the Yen will go up again, and maybe at a higher rate than now.. However, if the Yen credit is denominated in currencies more stable than the Yen, then we may consider. That is to say, we are willing to consider if the currency offered is stable relative to the Malaysian Ringgit.

**Question: Japan is bidding for a seat on the United Nations Security Council. What is your view on this?**

**Dr Mahathir:** Malaysia supports Japan's bid on two conditions. One, if it's made in the context of restructuring the UN; and two, Japan must be responsive with regard to the duties of the UN worldwide. This includes undertaking military duties under the UN. This means Japan should also be prepared to send its troops on UN missions, as done by some other members of the UN Security Council.