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Rich nations not convinced: Dr M (HL)

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EDINBURGH, Mon: The dampened economic environment in South-East Asia, which developed countries still find difficulty in accepting that it is the doing of speculators, will end up eroding the latter's markets as well.

Speaking to Malaysian newsmen here today, Prime Minister Datuk Seri Dr Mahathir Mohamad said although there appears to be increased acceptance by developed countries that the current overall volatile conditions in the world markets are the result of excessive speculation and manipulation, there is still a tendency to hold on to the belief that the situation arose from the normal workings of market forces.

In the Prime Minister's private meetings with several heads of developed nations who are members of the Commonwealth during the organisation's Heads of Government Meeting (CHOGM), the equation was fully explained to those who would listen.

Malaysia, he said, will continue to highlight the adverse effects of currency speculation, especially on developing economies, at other international forums, including the forthcoming Asia-Pacific Economic Cooperation summit in Vancouver.

At the current CHOGM, he said the explaining had to be done to individual countries since the formal meeting did not provide much opportunity to do so as most of the organisation's members are small countries which face problems different from Malaysia's.

Dr Mahathir said he spoke to the leaders of the UK, New Zealand, Australia, and Singapore and to Canada indirectly on the matter.

"It looks like we will have to take our own initiative in explaining the currency speculation issue," he said, adding that the developed countries remain largely uninterested in Asia's problems.

From the Prime Minister's observation, many of the developed economies do not understand the real issue or the workings of the existing mechanism which dictates foreign exchange rates.

"They have this absolute belief that only the internal state of an economy can affect the value of a currency and that if something is fundamentally wrong, then the country's currency would automatically weaken."

This is not necessarily the case, Dr Mahathir continued, saying that when Mexico faced an economic and currency crisis in 1994, Malaysia too thought that something was not right with its fundamentals.

"Mexico was far away from us and at that time we did not have an in-depth knowledge of its internal economy.

"Now that we are facing the same problem, we have studied the matter carefully and have decided that internal matters alone would not affect the value of currencies to that extent," he said.

Dr Mahathir said Malaysia will continue to be in touch with nations which are interested in the issue. Britain's Prime Minister Tony Blair, for example, have indicated a keenness to know more.

He also pointed out that should the weakened economy lead to unemployment in Malaysia, the first to be affected would be the foreign workers in the country, now numbering some 2 million, while locals are expected to still have jobs.

"It will be unfortunate for the foreign workers, but we will have to look after the interest of our own people first," he said.

Meanwhile, commenting on Malaysia's domestic economy, the Prime Minister said the Government will stick to its policy of not meddling with the interest and foreign exchange rates.

While saying that he is personally not in favour of companies conducting individual roadshows overseas to attract investors, the Prime Minister however advised the parties to exercise care in welcoming only meaningful investments if such promotions are deemed necessary.

"Of course, not all foreign funds have only capital gains in mind. Some are serious in investing for the long term and (Malaysian) companies have to pick and choose," he said.

Commenting on this year's CHOGM, Dr Mahathir said it is a fairly good one as Blair himself seemed more sympathetic than previous British leaders towards the Commonwealth cause. In addition, as chairman of the meeting, the British Prime Minister showed a willingness to listen and accept the opinions of others.

He said during the one-day retreat for leaders at St Andrews yesterday, the criteria for admission of new members were also discussed. Malaysia is satisfied with the listed terms, especially on the subject of recognising Palestine's application to join the Commonwealth fold.

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