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Allow S-E Asia to chart own comeback, Dr M calls

Kamarul Yunus in Hanover

HANOVER, Thurs: South-East Asian countries should be allowed to determine by themselves how to resolve their economic problems, Datuk Seri Dr Mahathir Mohamad says.

The Prime Minister said the recent strengthening of their currencies and share prices shows that the region has the capacity to address the problems.

Provided there is some stability in terms of exchange rates, countries in the region are fully capable of charting the route for a comeback, Dr Mahathir said here today at the Malaysia-Germany business forum on future challenges and prospects of South-East Asia after the economic crisis.

"I am sure when they do, they will recover and contribute to the well-being of the world," he said.

Dr Mahathir arrived today for three-day working visit to Germany, which will also see him promoting the Multimedia Super Corridor (MSC) initiative at the CeBIT '98, a major event on the international calendar of electronics and information technology fairs.

On the taming of the economic "tigers" of South-East Asia as a result of the the devaluation of their currencies, the Prime Minister said: "Damage has been done, perhaps irreparable damage. In the name of justice and fairness, South-East Asia should at least be allowed to choose its own way back".

The road back will be long and painful, whichever of three possible routes they decide to take, he said.

Countries in the region can opt to become fully integrated into the global economy or stick with the system that had brought them much prosperity, but with slight adjustments and certain protective barriers retained.

Also, they can step up regional cooperation and promote intra-Asian trade, for example, through greater use of their respective currencies for trade settlement, Dr Mahathir said.

This option of devising a new form of counter trade merits consideration "because all countries of South-East Asia have had their currencies devalued... none has gained any competitive advantage," he added.

"Their exports will not grow, their earnings may even shrink... devaluation is far from being an economic blessing."

Obviously, there will be difficulties in implementing such a mechanism as the currencies in the region are still very volatile, Dr Mahathir said. However, it has been noticed that the currencies have been devalued by roughly the same margin, which means the intra-regional exchange rates have remained relatively stable compared to their rates against the major trade invoicing units.

As such, it makes good sense to set up a counter-trade mechanism which tallies up intra-regional imports and exports to allow for only the difference to be settled in the currency of the trading partners.

This way there will be no need for large reserves of a trading partner's currency, and "will certainly do away with the need to buy the currency of a third country in order to settle trade payments," he said.

In view of the advances in information technology, it should not be too difficult to set up a modern clearing house to monitor trade transactions and balances on a daily basis, Dr Mahathir added.

Such a system also affords extension to cover South-East Asia's trade

with other regions. In fact, he said, talks are being held with North-East Asian countries on the possibility of using their respective currencies in trade.

Working on a "willing buyer, willing seller" basis, the risks of currency fluctuations are shared by the trading partners, hence reducing the chances of economic disruptions arising from excessive foreign exchange volatility.

Earlier, Dr Mahathir met German Chancellor Helmut Kohl at the CeBIT '98 exhibition site.

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