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Apec not a political forum (HL)

Hardev Kaur in Tokyo

THE Asia Pacific Economic Cooperation is a forum about economic matters, not politics, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

"It would be a tragedy if we convert Apec into a political forum," he said, adding that if this were to happen during the November summit in Kuala Lumpur, there would be many problems.

He was answering questions from the Japanese Press on issues that might be raised at the Apec leaders summit to be held from Nov 16 to 18. Some leaders have been reported as saying that they would raise the issue of Datuk Seri Anwar Ibrahim's arrest during the meeting.

Dr Mahathir, who is here for a five-day working visit, fielded questions from the Japanese media for an hour. Their questions ranged from Anwar's arrest, Malaysia's exchange rate controls, hedge funds, the need for rules and regulations to control unbridled currency movements that cause volatility and destruction to whole countries, Japan's role in assisting Asian nations and the Look East Policy.

The Prime Minister said the world can do without destructive currency trading. It only enriches a few of the rich but impoverishes millions. He reiterated the points he had made a year ago in Hong Kong during the IMF and World Bank annual meetings on the need to regulate hedge funds and currency trading.

He stressed that currency speculation and manipulation make a few of the rich even richer but the majority become poor. Destroying countries does not benefit anyone. "When you destroy your markets, you destroy yourself."

During the last Apec summit in Vancouver, Dr Mahathir had raised the issue of regulating hedge funds and the need for rules on currency trading. Among others, the leaders, including US President Bill Clinton, were told that if East Asia loses its purchasing power of about US\$500 million (RM1.9 billion), the US economy would also be affected. This is because East Asian countries buy a lot from the United States, for example Boeing aircraft.

But now these countries cannot afford these purchases as they do not have the money. "So this would affect their (developed countries') interests. And already we can see Boeing having problems as well as others including Coca Cola," Dr Mahathir said.

It, however, fell on deaf ears then. Asked whether he would raise the issue again, the Prime Minister said: "I would like to bring it up. Whether the others would want to listen to it or not, of course, it is up to them."

With the Long Term Capital Management (LTCM) debacle in the US, increasingly people are realising that destroying economies of the world does not help anybody. "It may make a lot of money for currency traders but eventually they are going to find that they are living in a very poor world."

When hedge funds and currency traders attacked Southeast Asian economies which subsequently slowed down, Europe and the US were saying that it would not affect them. "Even six months ago they were saying this. But today they know that it can affect them and now they are thinking that maybe they should regulate currency trading.

"So I think the world will slowly come around to this view (the need to regulate hedge funds and currency trading)."

Asked whether there was discrimination from the developed world with regard to his repeated calls for rules and regulations, and now that they are affected they are also talking of the need to regulate hedge funds and currency traders, Dr Mahathir replied: "I am not allowed to say that because that implies that they are racist."

But it is clear that when Asian countries were suffering they said at that time "This is the free market. Today it is the same free market that is affecting them and now they change their mind. So maybe there is some basis for feeling that when it does not happen to them, it is all right."

On Malaysia's exchange rate controls, Dr Mahathir explained that there was no restriction on free flow of foreign currency into and out of the country. The measures had produced a much more conducive environment for businesses and entrepreneurs and businessmen no longer worry about violent fluctuations in the exchange rate.

An increasing number of countries are now looking to some form of currency control. In Malaysia, Dr Mahathir told the Japanese journalists, with the measures businesses have picked up because they cannot devalue "our currency if they do not like what we do".

There are already positive signs in the economy since the introduction of the measures. The domestic economy has improved, foreign reserves increased by more than US\$1 billion, the trade surplus has also increased and the stock market has moved up. "Generally speaking, the the exchange rate controls brought about the results that we expected."

"Previously when we tried to reduce interest rates they would push down our currency. But today they cannot push our currency down and we can reduce our interest rates. And as you know a lower interest rate will help business and there are other advantages."

The exchange rate controls had also removed Malaysia from the anarchy that prevailed in the financial markets. Dr Mahathir explained that Malaysia was not a "controlled economy", adding that an economy cannot exist in an unregulated environment. There must be some regulation as you cannot trust people to behave themselves when they are only motivated by greed.

On how long the measures would remain in place, he said "until the world decides to put in some rules and regulations to govern the activities of the currency traders".

Asked whether the Look East Policy was still relevant in the face of economic problems in Japan and South Korea, Dr Mahathir said: "We want to learn from the things that you did right but also the wrong things", so as to avoid them. Malaysia will continue to Look East and also continue to Look West, he added.

Dr Mahathir said Malaysia "certainly appreciates" Japan's US\$30 billion fund for crisis-hit Southeast Asian countries. Since most countries in the region are short of funds, "they need money to tide over a very difficult period and so the offer by Japan to make available US\$30 billion which we all appreciate".

Asked whether Japanese economic recovery was "too slow", Dr Mahathir replied "It is too slow for us" but hastened to add that the problem in Japan was also political.

The change in government is very rapid and that causes a lot of worry for any government as to whether it will be popular or not. On the other hand the Japanese themselves appear to have lost confidence in their economy and are not spending enough money. They should spend, Dr Mahathir said.

"I think there is nothing wrong with Japan. Japan still has the technology, money and expertise. All that you need is the belief in yourself and to give a chance to the government to implement its policies

and its solutions to the problems over a period long enough for results."
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