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Mahathir-Japan (NEWS ANALYSIS)

JAPAN VISIT TIMELY FOR PM TO EXPLAIN DOMESTIC CONTROVERSIES

By: Azman Ujang

KUALA LUMPUR, Oct 25 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad's visit to Japan that ended on Tuesday turned out to be a timely opportunity for him to assure the Japanese and foreign investors that "it's business as usual" in Malaysia despite some controversial economic and political moves he took in the last few weeks.

It was his first overseas trip since Malaysia's new exchange control policy was announced on Sept 1 and the sacking the next day of Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim, perhaps two events which generated the most intense reporting about Malaysia in the international media since Dr Mahathir became prime minister 17 years ago.

Naturally during the five-day visit, Dr Mahathir, a regular visitor to Japan, found himself having to explain at numerous media interviews, forums and meetings with Japanese businessmen and politicians the circumstances and rationale behind the moves.

Requests were received from virtually dozens of Japanese media to interview the prime minister, including for exclusive interviews, and on the first day alone, the Malaysian embassy squeezed in an interview with top editors from eight media organisations in one sitting.

It took place barely an hour upon Dr Mahathir's arrival at the Imperial Hotel in Tokyo after being delayed in a massive traffic jam for the drive from the Narita Airport which took about three hours compared with the normal one hour.

Malaysian journalists and television cameramen who waited for the prime minister at the hotel were pleasantly surprised to see that Dr Mahathir and members of his delegation were driven from the airport in a tourist coach, instead of limousines as normally the case.

It was Khatib's way of putting into practice the Malaysian government's austerity drive given the economic recession the country is in, with the ambassador telling the journalists a day earlier that his embassy staff had been cut by half.

The Japanese businessmen whom he met were anxious to get a personal assurance from the prime minister that their investments and Malaysia's edge for foreign investors will not be blunted by the exchange controls and political uncertainties arising from Anwar's sacking.

"If you come to Malaysia you will not believe that we are facing an economic turmoil. There is an appearance of business as usual everywhere. No one is starving. People are not searching for food in rubbish heaps. The shopping complexes and restaurants are doing good business," said Dr Mahathir at one forum.

As the second biggest foreign investors in Malaysia after the United States, the Japanese, of all people, know that the most important thing in business is stability and predictability, which Dr Mahathir says is the very purpose of Malaysia's new exchange controls.

The media-savvy prime minister is widely known in Japan and especially among its media ever since he introduced the "Look East" policy in the 1980's to model Malaysia's development after Japan Incorporated and by adopting its work culture and discipline.

The new exchange control policy pegs the Malaysian currency at RM3.80 to the US dollar and has made the ringgit completely worthless overseas to insulate it from other currencies and from falling into the hands of currency traders which have caused the value to plunge by over 60 per cent

since the regional economic crisis in July last year.

As Dr Mahathir explained, exchange rate control is not the same as control on capital flows and capital can flow in and out of Malaysia without restriction.

Perhaps because of reading too much from reports by foreign analysts, there was concern in Japan that Malaysia is isolating itself from the international community, a concern which Dr Mahathir was quick to dismiss as completely without basis.

" Malaysia is a trading nation. It just cannot isolate itself if it wants to trade," he said.

Another concern was the need for foreign investors to change their profits into foreign currencies before they can be repatriated since the ringgit is now inconvertible overseas. The question thus arises whether there is enough foreign currencies available within Malaysia.

Dr Mahathir, in allaying such fears, concedes however that there is a need for Malaysia to conserve foreign exchange, with imports to be limited to essentials and exports enhanced.

" Malaysia has sufficient foreign currencies to exchange for your profits. Within the last one month of introducing this new policy, our reserves have increased by US\$1 billion to US\$21 billion. And our exports of palm oil and other goods also fetch US dollars. We have large trade surpluses," he assured.

But it was over the firing of his former deputy and hand-picked successor that Dr Mahathir had to face some "tough" questions from his Japanese audience.

According to Ambassador Khatib, the Japanese media depended for much of the coverage of the Anwar controversy on the Western news agencies with only a small number having their own correspondents who are based in Singapore.

The questions posed to the prime minister included: " Until two months ago, Anwar was your chosen successor and why is it that things have changed so dramatically".

And a top Japanese business leader, Noboru Hatekeyama, chairman of the Japan External Trade Organisation and a former vice minister of the powerful Ministry of International Trade and Industry, asked about Anwar's thousands of supporters staging their regular protest demonstrations " as I could see from CNN".

" I would like to invite Japanese journalists to come to Malaysia and see things for themselves. Do not trust CNN or CNBC. They have a different agenda and they tell lies in order to promote their agenda," said Dr Mahathir of the hourly replay of clippings showing pro-Anwar demonstrations over the TV news channels.

Anwar's allegation of police brutality after appearing with a black-eye also provoked many questions but Dr Mahathir assured the concerned Japanese that there would be no cover-up in the ongoing probe into this.

" I am as much angry as you are over this. We will act against the people responsible," he said.

Several times during the visit, Dr Mahathir said Malaysia's exchange controls might have been seen as "heretic or pariah" by others especially Western governments and currency traders "who worship greed".

" We would rather be heretics, be pariahs even, than to be dominated by these people," he said.

But Japanese Vice Minister of Finance Eisuke Sakakibara told Dr Mahathir at a forum that his exchange policy was no heretic but bold and would have the support of Japan.

According to Sakakibara, better known as Mr Yen for his influence on

the currency market, American financier George Soros, who he described as Dr Mahathir's arch-enemy, would publish a book next month, "Crisis of Global Capitalism" , agreeing with the prime minister's views on the destructive ways of currency speculations.

An equally important agenda on the visit was Malaysia's effort to raise new loans from the Japanese government to help tide over the present credit crunch in the country.

Dr Mahathir said the matter was raised in his talks with Japanese Prime Minister Keizo Obuchi and he was confident that the funds, reportedly worth US\$2 billion, would be made available soon.

Mr Yen himself said the US\$30 billion package for Asia announced recently by Finance Minister Kiichi Miyazawa would be disbursed as quickly as possible to get the crisis-hit Asian economies back on their feet.

Malaysia's Second Finance Minister Datuk Mustapa Mohamed told editors here on Thursday that Japan offered the best hopes for Malaysia for the moment to tap fresh foreign funds in an otherwise tight credit situation prevailing worldwide.

He said the earliest that Malaysia could expect to raise new foreign loans in the international market would be around the middle of next year.

Dr Mahathir's Japan visit could be expected to remove a lot of uncertainties in the Japanese minds about their existing and future flow of investments in Malaysia.

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