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MAHATHIR-ECONOMIC TURNAROUND

MAHATHIR SAYS ECONOMY WILL EVENTUALLY RECOVER

KUALA LUMPUR, Aug 14 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said the Malaysian economy will eventually turn around, especially through increased trade, but it would be difficult to expect a quick turnaround from the various new economic measures.

"A quick recovery is very difficult," he said in an interview with Xinhua, China's national news agency.

Dr Mahathir also said Malaysia would not be using U.S. dollars to trade because it did not have large amounts of that currency.

"In any case, if you buy U.S. dollars to pay for our trade, the U.S. dollar will appreciate some more," he added.

Dr Mahathir said Malaysia had reached agreements with many countries to trade in "our own currencies."

The prime minister also repeatedly said that Malaysia would depend on its own efforts for economic recovery.

He added, "Fundamentally we are still very strong. The most important thing for us is political stability and strong support of the government by the people of this country. That means we can take measures which will be fully supported."

Saying that Malaysia wanted to become a fully developed country by the year 2020, he said if Malaysia could overcome the currency crisis, "we would be developing industrially and particularly the information technology sector in order to be a fully developed country."

On why Malaysia's currency and stock market continued to fluctuate, Dr Mahathir said it had nothing to do "with the way we run the economy of this country."

"For them (currency speculators), it is merely a matter of making money for themselves. So since they can make money by devaluing our currency and reducing the share prices they will continue to do so.

"And they may give any kind of excuse, although these excuses are irrelevant. What we are doing for ourselves is to minimise the effects of the currency manipulation and share price reduction and then enabling us to continue without having to ask for help from IMF (International Monetary Fund)," he said.

Referring to economic stability in the region, he said as long as currency traders "can play around with our currencies and for as long as the hot money can come in, there really is no stability."

"So we seek to regulate the flow of capital and ensure they are not destructive. It will take time for the economies to recover for the whole world," he added.

On ways to revitalise Asia, Dr Mahathir said, "Firstly Asian countries must cooperate with each other. Asians must be allowed to come together, at least to discuss common problems. By that way, we can be much stronger and be able to protect ourselves."

Asked what concrete ideas he has for reforming the international financial system, Dr Mahathir said firstly, currency trading must be completely transparent.

"There must be a proper place for the currency traders to do the trading and they must be registered. There must be regulations, for example to what extent currencies can devalue or revalue," Dr Mahathir said, adding that currency traders must give proper reasons for the devaluation.

On how he felt about the Sino-Malaysian relationship in the next

century, he said, "I think it will continue to be good. It is good now. We have very little differences and we do not interfere in each other's internal affairs.

"Trade will grow and economic cooperation will also grow. There will be more investments in each other's country."

Referring to future developments in their bilateral relations, Dr Mahathir said, "Our interest will be in the economic field. We would like to invest more in China and we would like China to invest here.

"We must increase trade between the two countries, and we should cooperate with each other in facing the difficult years ahead."

Dr Mahathir also expressed satisfaction that China has been very stable and its stability is very important not only for China itself but also for the region.

On the reported market fears on a possible devaluation of the renminbi, he said, "I am very grateful that China has not devalued its currency so far.

"But of course, even if you devalue a little, it would not hurt us much because I think the difference is not so great.

"The situation is now different from one year ago. One year ago, if China had devalued its currency, it would have had very serious consequences. But today, because other currencies are devalued too far, even (the) yuan devalues a bit, it will not affect us so much."

But Dr Mahathir expressed concern about whether China can sustain the pressure of not devaluating, especially as Japan had effectively devalued its yen. -- BERNAMA

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