

26/07/1998

Currency attacks: Dr M to share views with African leaders

Ahmad A. Talib in Johannesburg

PRIME Minister Datuk Seri Dr Mahathir Mohamad is expected to share Malaysia's experience in facing the currency problems with leaders of African countries attending the South Africa International Dialogue in Namibia this week.

He said the problem of currency attacks is now not only a Southeast Asian problem.

"South Africa is also facing the problem. As a result, there's more interest on the matter. The Southern African leaders want to know more about the currency attacks, how it's done, and what they need to do to counter or to protect their economies.

"I'll be discussing these with the leaders attending the dialogue," Dr Mahathir told Malaysian journalists yesterday at the end of his two-day working visit to South Africa.

On Friday, Dr Mahathir and acting President Thabo Mbeki discussed the currency issue during a close-door meeting.

The South African currency, the rand, has lost about 30 per cent in value since May this year in what the Government believes is the work of hedge fund managers and currency traders, similar to the attack on the ringgit and other Southeast Asian currencies since July last year.

Dr Mahathir said his discussion with Mbeki did not result in any concrete decision on the matter and how the problem could be jointly tackled. But a more definite picture is expected to emerge at the Namibian dialogue.

Asked if he expected concrete decisions at SAID, he said: "I don't know if there is going to be any decision. But certainly we will know more about each other's problem."

The effect of the currency problem on Malaysia's role as a major investor in South Africa was also raised yesterday morning when Dr Mahathir and Mbeki jointly opened the Southern Bank of Africa Limited.

Asked about the fear of a diminishing Malaysian role in South Africa, the Prime Minister said:

"For the time being, I think we have to reduce our role. The cost of investing here is much bigger. In terms of the Malaysian currency, to buy the necessary foreign currency, we will need a lot more ringgit than before.

"So we are less competitive than before. So it (our role) is bound to diminish a little. In fact, some Malaysian businessmen are thinking of selling off some of their businesses here because they need the money at home."

Asked if there will be a shift in emphasis from investment to trade in view of the currency problems, the Prime Minister said:

"Yes, there will be more trade and more tourism because these are areas that don't require investments, just selling and buying goods.

"We want to buy more things from South Africa. We discussed just now what we have to do to increase trade."

During the close-door discussion with Malaysian investors in South Africa, Dr Mahathir also stressed the need to find ways to trade in the rand and the ringgit.

Malaysia's total trade with South Africa amounted to US\$447 million (about RM1.8 billion) last year, an increase of more than 27 per cent over 1996. Total trade figures for the first five months of this year came to

US\$176.5 million.

Malaysia's exports are mainly palm oil (about 30 per cent), electronics, chemicals, lubricants and timber which made up most of South Africa's imports.

(END)