

16 FEB 1998
Goh-Malaysia
SINGAPORE-MALAYSIA TIES ON RIGHT TRACK, SAYS GOH

KUALA LUMPUR, Feb 16 (Bernama) -- Singaporean Prime Minister Goh Chok Tong, who arrived for a two-day visit today, said that Malaysia and Singapore are now on the "right track" to achieving better ties.

"I think we are now on the right track to achieving better ties. Certainly ties today are much better than last year," he told reporters after visiting the Petronas Twin Towers, the world's tallest building, at the Kuala Lumpur City Centre here.

Goh said there would always be problems between the two countries and there were still some unresolved issues.

"You can't expect issues that have been there for years to be solved at one meeting. The important thing is we are making progress and we will look at the issues," said Goh who held talks with his Malaysian counterpart, Datuk Seri Dr Mahathir Mohamad, in the morning.

Goh said Dr Mahathir and he had directed their officials to intensify efforts to solve differences between the two countries.

Goh also said Dr Mahathir had told him that he would agree to continue to supply water to Singapore beyond 2061, when the current agreement expires, on terms and conditions to be agreed upon by both sides.

Ties were strained between the two countries last year after remarks by Singaporean Senior Minister Lee Kuan Yew on crime in Johor Baharu. Lee subsequently apologised.

Foreign Minister Datuk Seri Abdullah Ahmad Badawi told reporters after Dr Mahathir's meeting with Goh that they had discussed the two countries' overlapping claim on Pulau Batu Putih, an island off Johor which Singapore calls Pedra Branca, the new water agreement and the development of land in Singapore belonging to the Malaysian railway company, Keretapi Tanah Melayu Berhad.

Goh said he had a good discussion with Dr Mahathir centred on the currency crisis and how to stabilise regional currencies that had been fluctuating against the American dollar.

Describing it as a very important development for the year, Goh said Dr Mahathir and he agreed to cooperate in trying to solve the problem.

He said Dr Mahathir explained to him the idea of using regional currencies for trading and both of them had asked the respective central bank governors to look into the matter.

Goh said they were also concerned about the situation in Indonesia where rioting was reported in many parts of the country in protest against rising food prices.

Asked to elaborate, he said the situation there was "worrying" and the rupiah was "by and large going to be a very volatile currency".

"That means that Indonesians are going to find it very tough to import foodstuff, components, spare-parts... the costs of these imported goods are going to be very much higher.

"And Indonesians are finding the cost of food going up and thereby with unemployment in Indonesia, one can expect some social unrest over there," he said.

To help Indonesia, Singapore had facilitated the debtor-creditor forum which was now in place, and it was trying to put together a multilateral trade financing guarantee for Indonesia, Goh said.

"This is to help Indonesian banks to have their letters of credit accepted by foreign banks. It is still a concept at this stage, we can't

move it forward because Indonesia is now discussing the board of currency idea," he said.

On whether he agreed that the currency board system might not be applicable for Indonesia, Goh said his personal view was that the pre-conditions for Indonesia had to be examined very carefully.

"I'm concerned that the reserves of Bank Indonesia at the moment are insufficient. There's a danger that when you have a currency board with reserves of about US\$17 billion and the currency board guaranteeing a fixed peg, say 5,000 to 6,000 rupiah per US dollar, corporations with debts will cash in.

"The market thinks the rupiah is worth about 7,000 to 8,000 may be 9,000, the peg is 5,000 to the dollar, so those who owe the US dollars will be very happy... they are going to surrender their rupiah and get the US dollars and pay back. So there is a danger there," he said.

He said Indonesia was caught in a very difficult situation, as the decision to move ahead or otherwise would both cause problems.

"But the move ahead may mean the reserves could be sucked out by the debtors who convert the rupiah into US dollars," he added. -- BERNAMA

MAM sk