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Mahathir - symposium

STOP BLAMING, START OFFERING REMEDIES, SAYS MAHATHIR

By: Michael Raj

TOKYO, June 2 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad has taken to task financial experts for continually blaming Asian governments for the currency crisis, saying the time has come for them to formulate a new international financial system to remedy the situation.

He said they should work on reforms which minimise exchange rate volatility, the lack of which has rocked currency markets and depleted some economies, including that of Malaysia, due to speculative attacks for 11 months now.

"Our task is to focus on the remedies, the things which must be done if we are to re-vitalise ourselves, if we are to ensure the re-vitalisation of Asia," he said in a keynote address at the Fifth Symposium of the Tokyo-based Institute for International Monetary Affairs (IIMA) here today.

His address at the symposium, which was attended by more than 200 high-powered corporate leaders, was entitled "Revitalisation of the Japanese Economy and East Asian Economies".

Dr Mahathir is here on a five-day working visit during which he would also deliver another keynote address at the Nikkei International Conference on Thursday sponsored by the Nihon Keizai Shimbun, Inc.

The prime minister would also meet top Japanese corporate officials in private meetings.

Among Asia's corporate leaders and business executives who attended the symposium was IIMA President Toyoo Gyoten.

In his address Dr Mahathir said as for Malaysia, the only way it could overcome the instability in the exchange rate was to do away with trading in currencies as much as possible and revert to barter trade.

"We would want to balance our trade with countries which have a trade surplus with us and Japan is the country with the biggest trade surplus.

"Where we have to pay, we will pay in the currency of the trading partner concerned," he said.

Asean, the nine-member regional grouping, was already working towards this direction as its currencies had devalued at about the same rate, the prime minister said.

"We will also use our own currencies and balance our trade, this arrangement will probably be permanent, unless of course a new international financial system is put in place which will reduce violent exchange rate fluctuations," he said.

Asean groups Brunei, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Taking a swipe at those who just point the accusing finger, Dr Mahathir said: "It would be a sad commentary on the ability of the world's financial and economic geniuses if they cannot come up with proposals on a new financial system."

Their habit of merely trying to explain the present turmoil as being due to bad practices by the governments concerned sounded too much like an apology and a defence of currency traders, when in the first place, no one was able to predict the crisis, he said.

On the contrary, he said, these same experts were at this time last year persistently hailing what the "impressionable West" had concocted as the East Asian miracle.

Even International Monetary Fund (IMF) Managing Director Michel Camdessus, just two weeks before the July 2 collapse of the Thai baht, was

heaping praises on Malaysia to international audiences.

Describing the present currency trading system as messy, unreliable and destructive, Dr Mahathir said: "Money does not know whether a government is good or bad by adjusting rates of exchange, somebody is doing that and is evidently making a lot of profits."

"Do we need to protect these people's interests at the expense of world trade?" he asked.

Dr Mahathir also chastised those who used the excuse that currency trading provided market forces with the means to discipline governments, saying that it was totally unacceptable when in fact currency traders thrived on unstable currencies.

"It is ridiculous to suggest that they would discipline governments and reward them with exchange rate stability when such stability will deprive the traders of the opportunities to make money," he said.

The prime minister agreed that governments needed to be disciplined but said the international financial regime must be bankrupt of ideas if it could not find other ways which were less destructive to discipline governments.

Rather than the exchange rate being the yardstick of a country's worth, Dr Mahathir said it was not beyond the capacity of the world's great economists to devise a measurement of the economic performance of a country using the political, economic and social indicators and then determine the relative values of currencies.

In giving his opinion, he said currency traders could still speculate but whether they buy or sell should not affect the value of a currency.

"This is of course only a suggestion, the financial experts and the economists may laugh but it will not stop the currency traders from laughing all the way to their banks," he told the gathering.

Dr Mahathir said all of Asia should work on its numerous weaknesses "to get rid of the stones around our necks and the chains on our feet" not so much because they were the causes of the economic turmoil, but because they "weaken our capacity to compete and to succeed."

With devaluation and revaluation not being the answers to the world's economic problems, he highlighted that improving productivity through greater skills, better management and continuous technological improvements as other strategies to overcome the crisis.

And for this, he said, the people should continue looking East to Japan which has the means to resuscitate East Asia.

As the biggest economy in Asia, Japan has the capital, technology and skills and everything else needed to grow and simultaneously employ these assets to provide the lead the region needed, he said.

He told the mainly Japanese audience: "You should invest in the countries of East Asia as you did before, you should buy their products in order to enrich them, you should help in making East Asia a market for itself and the world."

"What Malaysia and the rest of the region need is a revival of Japanese investments, to create jobs, to enrich the people, stimulate economic growth and incidentally to create good markets for Japan.

"Some of the money the Japanese government is pumping into your economy could very well be pumped into the troubled economies of East Asia which could generate mutual benefits," he said.

Dr Mahathir said like before when Japanese investments created prosperity for East Asia, which in turn provided good markets for Japan's products, Japanese money to revive East Asian economies would benefit these countries and Japan.

In this way, he said, the countries of the region, if left to themselves, could chart their own destinies and rejuvenate what would

surely be the glory days of a region which was the envy of the rest of the world just recently.

"I am no expert in this area of (revitalising the economies of Japan and East Asia), but I think I have had some success in my own country, I think I know what I am talking about, more than the theorists who had never run any country, much less help it grow," Dr Mahathir added.

-- BERNAMA

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