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MAHATHIR-FUND

EASTASIAN MONETARY FUND CAN BE EXTENDED TO REST OF ASIA

By: Tham Choy Lin

SINGAPORE, Oct 18 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that the proposed Eastasian Monetary Fund (EMF) can be extended to other parts of Asia.

"At the moment, the one area that is really making progress is East Asia, we should begin here and of course there is no reason why we can't extend it to other countries," he said.

However, "as the most developed area within Asia which is diverse ethnically and culturally," East Asia could begin to set up the EMF."

"I thought that we have to start the EMF, it can begin where we can begin," he said when elaborating on the EMF which he had mooted during his keynote address at the East Asia Economic summit here today.

Dr Mahathir said that the EMF would enable regional countries to finance recovery on their own in the aftermath of the financial crisis.

However, the EMF should refrain from dishing out a one-size-fits-all solutions to financially-affected economies, he said during a question and answer session.

"We will have to be very pragmatic to learn the situation in that (particular) country and design something that is useful for that particular economy," he said.

"We should be pragmatic and not use the IMF approach which had prescribed only one medicine for every problem," he said.

"The important thing is that we should not have any pre-conceived ideas, it should not have one medicine for every situation," he said.

If you study the causes of any downturn in any country's economy, (then you can) find a way how to deal with it.

"So, just (by) saying that if you want my money, you (must) do this, you must restructure, reform and be transparent and that it would solve all problems, it would not, it's the worst kind of approach, that's what the IMF did," he said.

Asked whether the Asian Monetary Fund (AMF) rejected by the developed countries could have prevented the financial crisis from worsening by helping affected economies, he said: "Unfortunately, we can't say it would have because we were prevented from doing so."

Asked whether the EMF was potentially amounting to reviving the East Asian Economic Caucus (EAEC), he said that "Malaysia has never really given up on the (EAEC) idea."

He said that the "EAEC will be good for the region and the world and in one way or another, we will have to achieve our intention of bringing East Asian countries along to help themselves."

To another question on the prospects of an Asian regional market, he said the region was actually moving in that direction.

"This is entirely possible, the economies in region complement each other and we if we co-operate with each other, we will be able to create a big East Asian market," he said.

Dr Mahathir said he envisaged that East Asia should work together and be a "small locomotive to pull the rest of the world along with other locomotives."

Asked on the role of foreign banks in the merger exercise of banks in Malaysia, he said there were 13 foreign banks which were 100 percent foreign owned, "but they cannot be allowed full control of Malaysian banks."

However, he said foreign banks could become minority shareholders but should not have full control over banks in Malaysia.

IMF first deputy managing director Stanley Fischer said it was "illusory" to set up a different fund which would operate things in a different way.

"I'm not sure of the status of proposals for an Asian or Eastasian Monetary Fund. What I do know is that there aren't two brands of macroeconomics, one that applies in Asia and another that applies to the rest of the world.

"The notion to set up a different fund which would operate things in a different way strikes me as illusory," he said on the proposed fund, at a news conference. -- BERNAMA

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