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Zhu expresses support for international financial reform

CALLS by Prime Minister Datuk Seri Dr Mahathir Mohamad for international - financial architecture reform yesterday received support from visiting Chinese Prime Minister Zhu Rongji.

Zhu endorsed the initiatives and measures proposed by Dr Mahathir saying that it would prevent a repeat of the crisis faced by Asia two years ago.

He said if the international financial system was not reformed there was a possibility that Asia might experience another economic and financial crisis.

Following the financial turmoil in Asia, Dr Mahathir criticised the present international financial system and proposed reforms.

Dr Mahathir urged authorities to properly regulate short-term capital flows, hedge funds and speculative movements.

Speaking at a luncheon organised by the National Chamber of Commerce and Industry Malaysia, Zhu applauded the measures taken by Dr Mahathir to maintain stability in the country during the crisis.

"Malaysia opted to design its own policies based on its national conditions.

"The measures and initiatives - which included the imposition of controversial capital controls in September 1998 and the refusal of International Monetary Fund assistance - have proven successful and the country is now recovering," he added.

On a project in Sabah for which China is vying, he said: "China is `very anxious' for approval of the proposed pulp and paper plant involving an investment of more than US\$1 billion (RM3.8 billion)".

China is also having similar negotiations with Thailand and would invest there if the Sabah plant is not approved.

Meanwhile, NCCIM vice president Datuk Paul Low said Malaysia was confident that China could assume an effective leading role in promoting intra-Asian trade and investment.

He said the recent financial crisis highlighted the need for closer co-operation between the Asean-10 and China, Japan as well as South Korea.

"Even though the crisis has abated and many of the affected countries are showing signs of recovery, regional initiatives must be pursued to ensure the long-term sustainability of growth in view of the downside risks of our economies becoming too dependent on traditional markets like the United States and Europe.

"We need more intra-Asian trade and investment and we are confident China can effectively assume the leading role to make this happen," Low said at the luncheon.

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