

30 OCT 2003

MAHATHIR-BOND

ASIAN BOND MARKET GIVES POSITIVE IMPACT TO REGIONAL ECONOMY

KUALA LUMPUR, Oct 30 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said the Asian Bond Market Initiative (ABMI) will bring about positive impact to the economies of East Asia as it will help to strengthen domestic capital markets.

"With that, Asian reserves could be mobilised for development projects implemented either by governments or the private sector," he said in response to a question by Datuk Zulhasnan Rafique (BN-Wangsa Maju) at the Dewan Rakyat here today.

Dr Mahathir said through the bond mechanism, borrowers could avoid the problem of "mismatch" in financing as experienced during the financial crisis, where short-term loans were used to finance long-term investments.

With the existence of an alternative channel besides the equity market, a dynamic Asian bond market would ensure the domestic economy will be able to withstand systemic risks in case of future shocks.

Dr Mahathir said Malaysia had the experience to help develop ABMI as it had the basic amenities in developing the local bond market.

"Malaysia played an important role in the existence of Asian Bond markets," he said.

The sheer determination by Malaysia in ensuring the success of the ABMI is because of its desire to expand the Islamic capital market in the region.

Replying to a supplementary question by Abdul Rahman Yusof (Keadilan-Kemaman) Dr Mahathir said that Asian countries have reserves to the tune of trillions of dollars, most of which are kept in the developed countries.

Abdul Rahman questioned how the Asian Bond Market would revive Asian economies as he claimed there was no visible market to purchase these bonds.

Dr Mahathir, who is also Minister of Finance, said: "If we open our eyes, we will see the market."

The Prime Minister said it was unfortunate that countries in Asia were giving away free profits to developed countries which imposed an interest of five percent if Asian countries wanted to borrow from them.

"Actually, until now, Asian countries kept their reserves in developed countries, with that, when Asian countries need loans (from developed countries), we are actually borrowing our own money kept in other countries."

"They (developed countries) who keep the money are the ones indebted to Asian countries as we (actually) pay interest on our savings and they (developed countries) are actually bankrupt. They live by spending our money," Dr Mahathir, said.

The Prime Minister said that Asian countries actually undertake investments which are miscalculated by keeping reserves in developed countries in the form of foreign currencies and giving free interest to developed countries.

He said that with the initiative to set up the Asian Bond Market, countries in the region would be able to bring back their reserves kept in developed countries and disburse them to countries in need in Asia.

"What is wrong with countries which have surpluses, to have their funds placed under one fund, and thereafter lent to other Asian countries through these Asian bonds," he said.

"It is not true to say that Asian countries are not developed.
Actually, the bulk of the global economic growth comes from East Asia.
He said that this was a fact in view that many investors were coming to
invest in Malaysia as well as other Asian countries. -- BERNAMA
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