

Bond market will have 'positive results on East Asian economies'

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DATUK Seri Dr Mahathir Mohamad said the Asian Bond Market Initiative (ABMI) will bring positive impact to the economies of East Asia as it will help 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 reply to Datuk Zulhasnan Rafique (BN-Wangsa Maju).

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 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 Ma-

aysia 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 from Abdul Rahman Yusof (Keadilan-Kemaman) Dr Mahathir said Asian countries had 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 a five per cent interest 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 Asian countries actually had undertaken investments which were miscalculated by keeping reserves in developed countries in the form of foreign currencies and giving free interest to developed countries.

He said 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 this was a fact since many investors were coming to invest in Malaysia and other Asian countries.

— Bernama