

## **THE 6TH ASEAN SUMMIT**

HANOI, VIETNAM, 15 DECEMBER 1998

I would like to express my deepest appreciation to the Government and people of Vietnam for the warm hospitality extended to members of my delegation and I since our arrival. I am happy to be back in Vietnam again. I congratulate His Excellency, Prime Minister Phan Van Khai, on his election as the Chairman of the 6th ASEAN Summit and look forward to productive discussions under his wise chairmanship in the days ahead. I would also like to congratulate Prime Minister Phan Van Khai for his wise chairmanship which has enabled us all to welcome to membership of Cambodia into ASEAN in a special ceremony to be conducted in Hanoi.

2. It has been one year since the Second ASEAN Informal Summit in Kuala Lumpur, when we discussed as a group the financial problems that afflicted our respective economies. By all counts, the last year or so has been the most difficult and challenging period for all of our countries. Despite our best efforts to prevent a deepening of the problem, the financial turmoil nonetheless developed into an economic crisis.

3. After a decade of impressive growth, most of us in the region are now confronted with zero or negative growth for 1998. In Malaysia, we expect our Gross Domestic Product to decline by 6 percent or more this year. At the worst point of the crisis, the Malaysian Ringgit was devalued by the currency traders by some 60 percent against the US Dollar while our stock market lost two thirds of its capitalisation i.e. more than 200 billion US Dollar. As a nation and a people, we have become impoverished. Our banks and corporations almost collapsed.

4. In responding to the crisis, ASEAN countries have instituted various macro-economic measures and financial reforms. Although Malaysia is not a recipient of IMF assistance, our initial approach was to implement a virtual IMF approach. We discovered that these measures worsened the economic situation. And they failed to restore foreign investor confidence. As the international community refused to do anything, Malaysia had no choice but to change direction on its own.

5. When the financial crisis began Malaysia called for regulating the activities of currency traders to prevent our economies from rapid impoverishment due to devaluation by currency trading and attacks on the stock market. While capital inflow can promote economic growth and improve the wealth of our peoples, sudden and massive outflow can destroy whole economies. The existing international financial system is not equipped to deal with massive capital flight and the resultant financial and economic turmoil.

6. The powers that be preferred instead to blame the Governments of the affected countries for all kinds of misdemeanours. Instead of reining in the currency manipulators they allowed them to destroy the economic tigers in order to force them to seek help and accept IMF prescribed reforms.

7. Malaysia cannot afford to wait while the developed economies and international financial institutions dawdle. We have therefore instituted our own National Economic Recovery Plan. We removed our Ringgit out of reach of the currency speculators. We also ensured that short selling of our shares and the consequent fall in value was stopped. Relieved of the threat of devaluation and destruction of our companies and banks we were able to implement measures to revitalise our economy.

8. Through lowering interest rates, increasing liquidity, recapitalisation of banks and managing the NPL as well as many other measures we have succeeded in arresting the decline and set the economy back on the road to recovery. What we have done is merely to insulate ourselves from the predatory speculators. Otherwise our economy is as open as before. Foreign investment can and are coming in, trade goes on undisturbed and profits can be repatriated. The Kuala Lumpur Stock Exchange remains open to foreign investors subject only to the retention of investments in stocks for one year. Capitalisation of the share market has doubled since the measures were implemented.

9. I would like to point out that currency and the share market were controlled before. We liberalised because we believed in the free market. But our liberalism was abused, resulting in economic and financial depression. We have no choice but to reimpose controls. Until the international community agrees on an international regime that will remove the kind of dangers we have been exposed to, we will have to continue with our controls.

10. The recovery of our respective economies in ASEAN can be expedited only in an improved regional and international environment. Thirty years of ASEAN cooperation has given Southeast Asia the stability and solidarity which contributed to unprecedented economic growth and rising standard of living. Unfortunately, the economic crisis severely tested the resilience of ASEAN member countries. Our Association, and relations between its members, have come under some strain.

11. ASEAN's responses to the challenges confronting the region have created the impression of an ASEAN in disarray, its members at odds with one another. Malaysia believes that the maintenance of positive interstate relations, has to be consciously nurtured. ASEAN has the wherewithal to pull through this turbulent period. I am referring here to the ASEAN approach, its method of work, and the principles governing the conduct of relations between member states. These are contained in various ASEAN Declarations, Treaties and Statements evolved through the years. We should adhere to them.

12. This Summit Meeting should help create an environment conducive to positive relations and regional growth. I am therefore pleased that the Hanoi Declaration which we will sign later and the Hanoi Plan of Action which we are going to adopt, have reiterated the many principles and undertakings upon which we commit ourselves.

13. Malaysia strongly supports initiatives aimed at strengthening regional

economic cooperation and consolidating the economic fundamentals of ASEAN member countries. We will cooperate with our ASEAN partners to strengthen and to insulate the region from external disturbances as much as possible. We continue to support greater economic integration and the acceleration of the ASEAN Free Trade Area (AFTA).

14. The economic crisis has impoverished ASEAN economies and undermined national stability. Millions of people have been thrown out of work while others have their purchasing power drastically reduced. Businesses, large and small, have been bankrupted. The social well being of the people has been disrupted. Malaysia thus welcomes the proposed measures contained in the Hanoi Plan of Action to promote social development and address the immediate social impact of the financial crisis.

15. Malaysia particularly looks forward to the Second ASEAN+3 Summit involving the leaders of China, Japan and the Republic of Korea. Because of their economic weight, the policies and measures of these three East Asian countries have significant impact not only on regional but also on the global economy. Malaysia appreciates the commitment of China not to devalue its currency, its efforts at economic reforms and domestic growth. Malaysia welcomes the reform being undertaken by Japan of its financial sector and the Japanese initiative in providing a package of support measures totalling US\$30 billion to help Asian countries overcome the current economic difficulties.

16. The financial turmoil has underscored the many challenges inherent in globalisation. Even as we embrace it, we must be wary of the dangers which accompany it.

17. Malaysia welcomes the decision of the G-7 Finance Ministers in October to strengthen the international financial system. But we must remember that they are looking at it from their exalted position. Our problems may not receive their attention. We have to find a more suitable forum to discuss our needs.