

SPEECH BY: DATO' SERI DR. MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

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I wish to express my sincere gratitude to the Government and people of the Republic of Sudan for the warm hospitality that has been accorded to me and members of my delegation. I am delighted to be here on my first official visit and hope this visit will further strengthen our economic and bilateral relations so as to bring benefits to both our peoples.

2. Political and economic relations between our two countries have been premised on mutual understanding and respect. This is witnessed by our interactions in various international fora, our bilateral relations and cooperation.

3. On the economic front, it is clear that bilateral trade between Sudan and Malaysia needs to be further improved. Presently, bilateral trade between our two countries is on the decline. In 1995, total trade amounted to US\$36.77 million but the figure declined to US\$33.21 million in 1996 and even lower to US\$16.80 million in 1997. Malaysian exports to Sudan in 1997 consists of palm oil and palm oil related products, natural rubber, timber and television receivers.

4. Imports from Sudan in 1997 were aluminium, iron and steel products and watches and clocks.

5. I believe that it is timely for us to work closely together in order to increase our bilateral trade. The present level of trade and the narrow range of products do not reflect the true economic potentials of Sudan and Malaysia. While Malaysia can be a competitive source of a large number of products for Sudan, I am sure that there are many more products that Malaysia can buy from Sudan. I do not foresee any great hindrance to developing bigger trade and economic activities between both countries. Joint efforts are definitely needed on the part of our private sectors as well as Government agencies to spearhead programmes and formulate strategies towards heightened bilateral economic relations.

6. In tandem with our policy to promote exports of merchandise, exports of services are also being promoted. Malaysia currently offers and promotes services in the area of education, health care, port and airport management, engineering, construction and consultancy services. In this context, we welcome more students from Sudan to pursue their higher education in our institutions of higher learning as we are embarking on strategies to make Malaysia a centre of excellence for education in our region.

7. Malaysia's rapid development has helped in the emergence of large corporations with expertise in engineering and construction of infrastructures such as roads, bridges, public housing, ports, airports, telecommunication infrastructure and power generation and distribution.

8. In terms of investment, several Malaysian companies have invested in Sudan. They are PETRONAS in petroleum and gas, Advance Synergy in mining as well as in hotel - the Grand Hotel Holiday Villa, and Malaysian Pilgrim Board in plantations.

9. Malaysia has not been spared the effects of the financial and economic turmoil which have affected countries in the region since July of 1997. Although Malaysia's economic and financial fundamentals have been acknowledged by even international institutions as sound and strong, nevertheless the speculators moved in and devalued our currency and our share prices. We have lost more than 200 billion dollars worth of our wealth and this has incapacitated our businesses, and undermined their capacity to venture abroad.

10. At first it was thought that the assault on our currency was a temporary affair and would last two or three months as happened with other countries attacked by the speculators. It is now clear that the attack would be prolonged and the damage done more permanent. The rapid and wide fluctuations in the value of the currency and shares makes trade and economic development very difficult.

11. To reduce the adverse effect of the currency and share depreciation on our economic development we will have to go back to basics, to barter instead of trading using money. For this to be effective we have to try and balance our import and exports with our trading partner countries.

12. We have a need to identify what we can buy from Sudan in exchange for what we can sell to Sudan. We

have devised a bilateral payments arrangement in which the importers in each country pay the exporters from their own country in the local currency. If the total export is bigger than the total import then the balance will be paid in the currency of the country with the trade surplus. This way not much foreign currency would be needed even when the volume of trade is huge.

13. To facilitate this payments arrangement, clearing houses will have to be set up in each country. Now that we use computers it is a simple matter to report every deal that takes place in real time and balance the trading amount at the end of each day. Payments will be settled daily at the current exchange rate in order to avoid currency fluctuations.

14. By not using the currency of a third country we will actually be able to reduce the cost of hedging on the exchange rate. With this we can also overcome the shortage of foreign exchange that we frequently suffer from. Trade will be increased this way.

15. This trading arrangement was devised by the Group of 15 countries of the South. Since using it Malaysia alone has experienced an increase of 300 percent in its trade with Latin America and some countries in Southern Africa. It is not unlikely that trade with Sudan will also increase if we adopt this method of payment. We will be able to actually maximise our profits while being able to obtain the goods and services which we need.

16. Prior to the devaluation of our currency Malaysia was able to invest in foreign countries and to participate in the bids for contracts for supplies and construction and also in privatisation. When our currency was devalued against the U.S. Dollar, we became uncompetitive, needing more of our currency in order to obtain the currency of the countries which have not been devalued. It is for this reason that we are now unable to invest much outside of Malaysia. In fact even in Malaysia we have to cut back on investments.

17. We are working hard, quite literally to overcome our difficulties. Fortunately our people understand the situation. They know that the currency devaluation was engineered by greedy foreign speculators who want to make money the easy way for themselves. They do not blame the Government and they do not destabilise the country politically. Because of this we believe we can avoid asking for aid from the International Monetary Fund and submit to its direction.

18. Of course one of the ways to remain independent is

to be able to rebuild our economy. Trade with friendly and understanding countries like Sudan will help, especially if we use bartering or counter-trading via the bilateral payments arrangements that I described just now.

19. We are willing to tighten our belts and to remain poor as long as we remain independent. This is going to be difficult because the world is shrinking and liberalisation and globalisation are being promoted aggressively. While we welcome liberalisation and globalisation, we have to be careful that they are not used to impoverish us and colonialise us again.

20. I have with me a number of prominent members of the Malaysian business community who represent various sectors including mining, engineering, recreation and property development, oil and gas, trading, manufacturing, transportation, services and food. I hope the Sudanese business community will work together with them and forge and strengthen bilateral and economic ties between Sudan and Malaysia. Finally, I urge the Malaysian business community doing business in the Republic of Sudan to take a longer term view of their business interests. I am confident that the authorities in the Republic of Sudan will give the necessary support to our Malaysian businessmen interested in doing business here. The Malaysian Government will certainly support trade, investments and joint-ventures in Sudan.