
 Interview: Dato' Seri Rafidah Binti Aziz



Malaysia: Seeking Recovery Through Cooperation

In preparation for a tour of Southeast Asia in June-July 2001 (see EIR, Aug. 10, 2001), correspondents Gail and Michael Billington submitted questions to Malaysia's Minister of International Trade and Industry Rafidah Aziz, concerning two principal areas: the impact on Malaysia and Malaysia's Association of Southeast Asian Nations (ASEAN) partners of the sharp economic downturn in foreign export markets in the United States, Europe, and Japan; and how these issues are related to and are being discussed among ASEAN member states and their "Plus 3" dialogue partners of Japan, China, and South Korea, under the framework of the "Chiang Mai Initiative" talks in May 2000. Since then, there are estimates that perhaps \$40 billion in currency swap agreements have been reached or are under discussion among these 13 countries. Excerpted here are Minister Aziz's responses, relevant to her Ministry's oversight of these issues.

EIR: Despite the doomsayers, Malaysia's sovereign currency controls allowed the country to survive the global financial crisis which broke out in Asia in 1997-98 without the social and economic dislocations of many of your neighbors. But the growing evidence of collapse in the Western economies today poses a new threat to Asia and the world. What is the impact of the import collapse in the United States and Japan upon the Malaysian economy?

Minister Rafidah Aziz: First, being an open economy dependent on international trade, with 34% of its exports being absorbed by the U.S.A. and Japan, Malaysia is not insulated from the import collapse in the U.S.A. and Japan, beginning toward the end of 2000, as seen in **Tables 1-4**.

The second quarter of 2001 shows almost double (194%) the increase in number of workers retrenched, from 5,479 to 10,621, compared to the first quarter of 2001.

Second, however, the diversified base of Malaysia's economy is expected to cushion any adverse impact arising from the global slowdown:

- From the first quarter of 2001, the agriculture sector had been growing steadily to become a major contributor to the economy. Strengthening palm oil prices was one of the factors that has resulted in the sector's improved performance. From June 2001, crude palm oil prices are expected to be sustained at above RM 1,000 (\$29) a ton for the rest of 2001.
- The petroleum and gas sector is also attracting good

TABLE 1
Malaysia's Exports to the U.S.A. and Japan Registered Declines, Beginning from Fourth Quarter of 2000

(Millions of Malaysia Ringgit)

Year/Quarter	Value	Growth Rate
2000-1Q	84,757.6	-6.5%
2Q	90,967.9	7.3%
3Q	101,706.7	11.8%
4Q	95,875.0	-5.7%
2001-1Q	86,439.9	-9.8%

TABLE 2
Exports of Electrical and Electronics Goods to U.S.A. and Japan Also Declined from the Fourth Quarter of 2000

(Millions of Malaysian Ringgit)

Year/Quarter	Value	Growth Rate
2000-1Q	48,520.5	-6.7%
2Q	53,032.3	9.3%
3Q	60,929.6	14.9%
4Q	57,076.0	-6.3%
2001-1Q	48,950.5	-14.2%

prices.

- The inflation rate is under 2% this year. Malaysia also has the lowest interbank lending rate.
- Malaysia continues to register favorable trade surpluses [**Table 5**].

EIR: ASEAN-Plus-3 has begun to establish currency cooperation through the Chiang Mai Initiative, and there is discussion of the creation of an Asian Monetary Fund. What are the potentials for an AMF, and what should Southeast and East Asia's role be in bringing about a new world economic architecture?

Minister Rafidah Aziz: The Chiang Mai Initiative (CMI) was launched at the inaugural ASEAN-Plus-3 Finance Minis-

TABLE 3

Quarter to Quarter GDP Growth Figures for 2000 and 2001 Indicate a Trend of Slower Growth

Year/Quarter	Growth Rate
2000-1Q	11.7%
2Q	8.0%
3Q	7.6%
4Q	6.3%
2001-1Q	3.2%

ters meeting in May 2000.

The CMI is to strengthen regional self-help and support mechanisms in East Asia to supplement the existing international facilities. It has two components: an expanded ASEAN Swap Arrangement, and a new network of bilateral swap arrangements and repurchase agreements between ASEAN and the People's Republic of China, Japan, and Korea. The CMI would enable countries to pool their resources and channel financial assistance to countries facing short-term liquidity needs and, hence, avert crisis and contagion effects.

The CMI is the first step in financial cooperation between ASEAN and the three Northeast Asian countries. Further preparatory work needs to be done before the concept of an Asian Monetary Fund (AMF) could be realized. However, it must be noted that while the proposal relating to the AMF is exclusive to Asian countries, it will complement and supplement the work of existing international financial institutions.

On the reform of the International Financial Architecture (IFA), Malaysia had, on numerous occasions, expressed concern over the risk of complacency on the part of the international community on IFA reforms. This is following the strengthening of economic recovery in the crisis-affected countries in Asia and the restoration of a more positive global economic environment. Concern was also expressed over the slow progress in terms of measures to promote greater transparency by the private sector.

Issues of concern to Malaysia on IFA reform include:

- Regulations to monitor activities of the Highly Leveraged Institutions, to avoid excessive volatility in the financial markets; and
- A global mechanism to monitor and manage capital flows, so as to achieve an efficient functioning of the international financial markets and to minimize the risks of excessive volatility in international capital flows.

EIR: Do you see an increased focus on collaboration on developing the interior of Asia, as a way of addressing the uneven levels of development among ASEAN countries, and with respect to ASEAN's dialogue partners in the region?

Minister Rafidah Aziz: Collective action both regionally

TABLE 4

Retrenchment of Workers

(Numbers of Workers)

Quarter	2000	2001
1Q	8,351	5,479
2Q	4,329	10,621
3Q	5,609	—
4Q	6,947	—
Total	25,238	16,100

TABLE 5

Balance of Trade

(Millions of Malaysian Ringgit)

Year/Quarter	Value
2000-1Q	16,527
2Q	12,287
3Q	14,951
4Q	17,179
2001-1Q	13,634

and multilaterally is important to address the uneven levels of development among ASEAN countries. This will ensure the benefits of development are shared by all countries.

- Under the ASEAN agreements, the newer member countries of ASEAN, involving Cambodia, Laos, Myanmar, and Vietnam, have been given a longer time frame.

- The agreement on the Common Effective Preferential Tariff (CEPT) scheme for AFTA [the Asian Free Trade Agreement], provides for the newer member countries a longer time frame to reduce the tariffs. These countries are allowed to eliminate all import duties by 2015, compared to the original six countries by 2010. The special provisions also include the area of investment under the Framework Agreement on ASEAN Investment Area (AIA).

- ASEAN's cooperative effort in assisting the riparian countries in the Mekong River subregion, is another case of assistance to these countries to integrate into ASEAN.

- ASEAN will also be implementing [a special] scheme for the newer member countries of ASEAN. This initiative is aimed at assisting the development of these countries and their integration into ASEAN.

- Unilaterally, Malaysia had provided various forms of assistance under the Malaysian Technical Cooperation Program (MTCP) to Cambodia, Laos, Myanmar, and Vietnam. The areas involve training in project planning and productivity, agriculture, management, broadcasting, and promotion of investments. In addition, Malaysia had provided special grants for development projects in Cambodia.