

U.S. Trade Policy in Asia Angers Mahathir

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Staff Reporter

KUALA LUMPUR — The U.S., through restrictive trade policies, is trying to constrain the economic growth of rapidly developing Asian nations, said Malaysian Prime Minister Mahathir Mohamad.

"Now that the West has seen Japan come out so fast and pose a threat to them, they are going to be sure that Korea, Hong Kong, Singapore and eventually Malaysia and Thailand don't become Japans," he said in an interview.

"To do that you force us to revalue our currency, examine human-rights violations, environment and so on. All these things to me are designed to screw down our economies."

While Dr. Mahathir expressed concern about what he sees as a global trend toward protectionism, his harshest criticism was reserved for the U.S., not Europe or Japan. "Japan has always been closed," he said. "Japan, though it is slow, is in the process



of opening up. But America has been an open market. America has been preaching free trade is bad. You are turning back." Thus, he added, while the trend in Japan is in the right direction, the trend in the U.S. is in the "wrong direction."

During an hourlong interview in his dark, wood-paneled office, he spoke gloomily about short-term prospects for reform in both China and the Soviet Union. But the soft-spoken prime minister's greatest concern was what he sees as a tendency by nations to fight over a slice of the global economic pie, rather than cooperate to enlarge it.

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Specifically, what bothers Dr. Mahathir is that the U.S. no longer seems to believe that free trade can contribute to greater economic growth for all. This, he said, is in contrast to the U.S. attitude in the years following the end of World War II, when Washington gave Europe and Japan financial aid and unlimited access to the American market. "My contention is that when Europe was going through this phase no one told them, 'You've gotten big enough. Now revalue your currency and stop running a trade surplus with America,'" Dr. Mahathir said.

His point of view is one repeated over and over in Asia these days as Washington debates new actions designed to force open Asian markets and reduce Asian trade surpluses with the U.S. "Singapore's surplus is \$1 billion, which comes after 20 years' deficit, but that carries no credit in Washington," said Lee Hsien Loong, Singapore's minister of trade and industry, in a separate interview.

Primary Target

A similar refrain is heard in South Korea where after several decades of deficits, Seoul now enjoys nearly a \$5.4 billion trade surplus with Washington and, as a result, has become a primary U.S. target for market-opening measures.

"You gave Japan 30 years to adapt its basic economic structure," said President Roh Tae-Woo, in an interview in Seoul. "In our case, we've had a trade surplus for only three years and you want adjustment too quickly."

It is partly because of mounting U.S. pressure on Asia that there is increasing talk in the region about the need for greater Asian-Pacific cooperation. Ministers from several Asian nations, America, Australia and New Zealand will meet in Canberra early next week to discuss what is meant by greater cooperation. Dr. Mahathir

Please Turn to Page 4, Column 3

Mahathir Assails America's Shift In Trade Policy

AWSI 31 OCT 1989

Continued From First Page

supports, at a minimum, more consultation.

"We don't believe in forming a trade bloc," the Malaysian leader said, "but we do believe there should be some dialogue between the countries in the Pacific to improve economic development and trade . . . among one another and with other parts of the globe." But a trading bloc like the European Community isn't possible, he said. "The countries in the Pacific region have such gross disparity in terms of economic development that it is not possible for them to cooperate on many issues - but a dialogue on economic matters is possible."

Dr. Mahathir is pleased that the proposal for improved Asia-Pacific cooperation, which has been put forward by Australia's prime minister, Bob Hawke, will include both rich countries, such as Japan and the U.S., and poorer nations. "Quite often you have a grouping like this and they don't understand the problems of the poor countries, so they take a decision to solve their problems and it hurts the poor. We will have a voice. We can give our views and say whether something will be good or not."

Dr. Mahathir, who is widely expected to call an early general election before his term runs out in mid-1991, said his greatest worry in the next decade is access to markets. "Malaysia is a small country and it is the Western markets that we have to produce for and export to. So it is the world trend toward protectionism that worries us most."

China 'to Get More Repressive'

Indochina and China also concern him, though less immediately. Dr. Mahathir said he isn't "very optimistic" that Cambodia can resolve its long civil war without yet more bloodshed. The only way to do so, he said, is to involve the Khmer Rouge, which murdered millions of its own people during its rule of Cambodia in the mid-70s. "Unless the Khmer Rouge is given some role, there will be more fighting," he said. "While the Khmer Rouge has been involved in genocide, we cannot condemn every one of them."

China, Dr. Mahathir said, might have become more democratic over the coming decade had Chinese students, encouraged by the West, not sought to push the pace of change too quickly. Now, he said, "China is going to get more and more repressive." Chinese leaders, he said, "will be prepared to suffer economically to retain their position. This is nothing unusual for the Chinese to put up with deprivation - which they have done for 40 years - and they can get their people to submit, especially as the leaders don't suffer that much anyway."

China's economy, he added, will suffer but that is a price the leaders find acceptable to hold on to power. Over time, he predicted, China will become more democratic. "It will take a decade or maybe two decades but it took the West over 100 years to develop the kind of democracy it has, so why should China become a democracy in such a short time?"

Dr. Mahathir added that events in the Soviet Union, Hungary and Poland are further frightening China's leaders away from reform.

Risks for Gorbachev

Asked if Mikhail Gorbachev, the reform-minded Soviet leader, may one day face the choice of China's leaders between reform or political survival, Dr. Mahathir said, "That is a cause for worry." The prime minister, who has led Malaysia for the past eight years, said he believes President Gorbachev is sincere about liberalization but "if his pace is too fast, there will be a lot of old conservative Russians who will go against him."

The prime minister added that he doesn't believe Mr. Gorbachev can show results because "Russians for 70 years have not known entrepreneurship. They can't meet the expectations of their people." Such a situation poses grave risks to Mr. Gorbachev's survival, he said. "The West should open its markets to make it possible for the Soviets to succeed and not keep exposing their failures and showing their economy is going to get worse. These things really feed the kind of people who want to topple Gorbachev."

Mr. Gorbachev's desire to reduce his military expenditures, Dr. Mahathir said, offers opportunities for the U.S. to reduce its military presence in the Pacific. But he said, "Even if the Soviets were to close Camranh Bay (the Soviet base in Vietnam), it doesn't necessarily follow that the U.S. should close down its bases. We think for the foreseeable future that the U.S. should have its navy in the Pacific."