

Mahathir Faults Western Model Of Development



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NEW YORK - Notable among the many foreign dignitaries attending the United Nations General Assembly last week was Malaysian Prime Minister Mahathir Mohamad, who seemed more interested in speaking his mind than in engaging in diplomacy, even as he was courting potential U.S. investors.

At a meeting with U.S. business executives Wednesday, Dr. Mahathir criticized the Western model of economic development, saying it led to overproduction of commodities and deteriorating terms of trade for many developing countries.

"We are today looking at the ruins of this model in many parts of the world, especially in Africa," the prime minister said. The Western model, as described by Dr. Mahathir, is one that encourages developing countries to export raw materials and commodities to industrialized nations in order to earn revenue to pay for imported consumer goods, machinery and technology.

Commenting on his country's economy, Dr. Mahathir said Malaysia clearly has deviated from this development model, and attributed its economic progress - Malaysia's economy grew 9.4% in 1989 and 10% last year - to pragmatic policies that stressed political stability and racial harmony. "Ours was a non-doctrinaire, pragmatic approach which was not averse to learning and accepting methods from all sources," he said.

Dr. Mahathir, who has been prime minister since 1981, also used the occasion to explain the thinking behind various policies for which his government has been criticized. In discussing the controversial New Economic Policy, he said one of the key

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objectives has been to remove the identification of race with economic function. Despite a program of rural development in the 1960s, "the Malays felt the greatest portion of the wealth of the nation was beyond their reach and that the Chinese were the main beneficiaries of post-independence economic growth." The NEP was formulated after the outbreak of race riots in 1969 to address disparities between the Malays, the country's majority ethnic group, and the ethnic-Chinese community. The policy has formally expired, but its goals are maintained in the current National Development Policy.

As for the "Look East" policy, he said it didn't mean buying from Eastern countries and giving all contracts to them. "Looking East meant learning the work ethics, man-

agement styles and organizations of those countries in the East which were achieving dynamic growth," Dr. Mahathir said.

The Malaysian leader also defended his government's costly investments in such heavy industries as steelmaking and auto manufacturing. He said many people predicted failure of these projects with glee. "Indeed, in the initial years the projects seemed to fail. . . . Today, with these enterprises . . . showing handsome profits, the critics are less vocal, though they remain skeptical," he said.

During his talk, Dr. Mahathir conveyed the impression that he is sensitive to external criticism of his country's policies. At the same time, he didn't hesitate to criticize the U.S. for not taking a larger investment role in Malaysia, saying American

companies are "too influenced" by negative press reports about his country. If U.S. companies want to find out about Malaysia, they should "read the government reports from Malaysia, especially my speeches," he said with a smile when asked by a member of the audience what should be done to encourage more U.S. investment.

In discussing his vision of Malaysia as a developed nation by the year 2020, Dr. Mahathir again showed some disdain for conventional economic thinking. "Our concept of being developed does not simply focus on per-capita income, but on the quality of life and morality as well. The hedonistic materialism of present models is not for us. We hope the rest of the world will give us this freedom of choice and not harass us into conformity in the name of freedom," he said.

Later, when asked about his proposal for the formation of an East Asian Economic Group, the Malaysian premier said he wants to create a forum to garner support for free trade at international trade negotiations. EAEG members, he stressed, wouldn't seek a free-trade agreement among themselves. The group is intended to counter the threat of increased protectionism resulting from the emergence of regional trade blocs, he said.

In a later interview, Dr. Mahathir said he would like to see the EAEG expand to include China, Indochinese countries and Burma. He said U.S. officials have expressed surprise that Malaysia should want to include China, which doesn't have a free-market economy, in the group. "I said to them, 'Well, China buys one million tons of

palm oil from Malaysia and the U.S. imports barely 100,000 tons, and that, too, with a lot of trouble.' "

In a broader sense, Dr. Mahathir expressed concern that big economies such as the U.S. and European Community are building trading blocs that put developing countries at a disadvantage. He said he believes that the U.S. free-trade arrangement with Mexico, the first of its kind between a developed and a developing country, may be good for Mexico but is a "step away from free trade" on a global scale.

The EAEG plan, which calls for Japan to play a key role, hasn't been endorsed by Tokyo despite diplomatic initiatives by Malaysian officials. The U.S., which isn't included in the grouping, has stated more than once that it prefers to address trade-liberalization issues in the Asian-Pacific region through the existing Asia Pacific Economic Cooperation Group.

During the interview, Dr. Mahathir also implicitly criticized the Western approach to China, saying that for China to allow events such as mass demonstrations in Tiananmen Square would lead to chaos. "China," he said, "is not a communist country. It is merely an authoritarian government. And it is going to remain so for a long time."

Turning to the region's security, Dr. Mahathir said there was no need for a continuing U.S. military presence. "China will be preoccupied with internal problems for a long time. Japan is not going to be a military power," he said. The U.S. presence in the Philippines is important, he said, only for its economic value to the Philippines.