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THE WORLD IS IN A GROWTH CRISIS, SAYS PM

From K.C. Leong₄₃

P overseas trip

TOKYO, May 13 (Bernama) -- Datuk Seri Dr (Mahathir Mohamad today voiced his deep concern that the world is already in a growth crisis as well as facing a crisis in the world trading system.

If the world does not do what must be done, the 1990s will see a prolonged growth crisis, the Prime Minister said in his keynote address to an international conference here on "Asia's Role in the Changing World Order".

On a more upbeat note, however, he said East Asean economic integration, brought on by market-driven open regionalism, would result in many economic miracles in the 21st century, following those of this century.

Referring to the Asean^A experience where leadership had often meant leadership in sensitivity and consideration for others, in wisdom, in effort, responsibility and sacrifice, he called on Japan, China and the other great nations of East Asia to provide leadership.

He said it was now time for all of East Asia to launch a process whose final destination is a zone of co-operative peace and prosperity stretching from Jakarta to Kuala Lumpur.

While he did not see another Great Depression coming, the prospects of prolonged anaemic growth were very real indeed, he said, adding that the consequences would be profound and global.

Many of the political, economic and social advances of the last few decades could be wiped out, he said in his address on "World Trade: GATT, Groups and Growth".

As for the crisis in the global trading system, he said in typical blunt fashion that the Uruguay Round of multilateral trade talks remained in gridlock, "held hostage by a few farmers and the political interest of their candidates".

"The other members of GATT, some of whose very lives depend on the result, are essentially spectators, very often not quite able to really comprehend the game, still less to influence its outcome", Dr Mahathir added.

The multilateral, open global trading system is today in deep crisis, with multilateralism under serious threat from blocism, unilateralism, bilateralism and minilateralism in which exclusive deals were worked out between a select group of countries, he added.

"It is clear to me that the number one, the most urgent, task for global economic statesmanship today is the successful conclusion of the Uruguay Round," he said, adding that if the Round failed, "we can probably wave goodbye to the global trading system" which had been in place since the end of the Second World War.

If all countries do not do what must be done, the 1990s will definitely see a fundamental transformation in the world trading system and a new world would emerge, "which none of us will like", he said.

Dr Mahathir said he was also deeply concerned that GATT was being laughed off as merely a "general agreement to talk and talk" and he was deeply perturbed by the prospect of much more protectionism and of much more managed trade.

Elaborating on the current growth crisis, he said it was affecting all three worlds, what used to be called the Third World, the Second World and the First World.

He said in the 1980s, two out of three third World nations suffered falls in their per capita incomes, which the declines being more than 10 percent in more than half these countries and more than 20 percent in two out of five cases.-More

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Even worse was the "catastroika" in Russia and Eastern Europe, the former Second World, which output today is 30 percent lower than three years ago, he added.

He said: "No economy of group of economies came close to experiencing such a catastrophic collapse, even in the period of the Great Depression. And all because they were made to believe that democracy plus market economy equals peace and prosperity."

However, it was growth crisis of the developed world which was by far the most consequential for the world as a whole, he said adding that while Japan was in deep trouble, the real economic crisis the world had to grievously worry about lies in Europe and North America.

Dr Mahathir said many of the problems were caused by an unwillingness to face facts, namely "that you cannot live beyond your means".

As for the crisis in the multilateral world trading system, he said health, environmental and safety standards had become standard instruments in the trade armory.

"Friends can talk without embarrassment about trade sanctions against each other. Import targeting will increasingly be used by the strong against the weak," he added.

"Referring to Japanese Prime Minister Kiichi Miyazawa's statement that it is not acceptable for countries to tell their companies how much of what they should buy from which countries, he added that nevertheless, managed trade had advanced.

"And there are now respectable Western scholars who even advocate it is a legitimate model for the conduct of future world trade," Dr Mahathir said. "There are politicians who openly advocate it without blushing with shame."

On the rise of regional trade groupings and regionalism, Dr Mahathir said economic regionalism, and even political regionalism, like globalisation is a process which cannot be stopped.

"Neither is inherently good or bad. What is important is to distinguish between what is productive and what is not," he added.

"What we should fear and oppose is regionalism that is closed and inward-looking, regionalism whose intent is not contribute to the liberalisation of world trade and economic co-operation, not to raise national productivity and competitiveness, but to protect the inefficient, to raise the drawbridge, to retreat into the fortress and to man the

battlements."

He said 25 years ago, Asean took a bold step of regional statesmanship to establish the grouping, the result of regional decision-making by countries intent on greater regional self-determination and empowerment.

He added that many in East Asia believe in the Japanese principle of "kaizen," that improvement should not come with one great leap but by continuous little steps.

"We have a legitimate right to want our region to be a zone of sustained co-operative peace and prosperity, living in harmony," he said.

"If this will take a hundred years, the sooner we start the better. And it is best to start in the most propitious of circumstances."

He believed that the strategic condition and environment of this part of the world was better now than at anytime before. "The strategic configuration of forces on East Asia is better now than it has been in the last century and a half," he said.

Dr Mahathir said previously Asians gained and suffered from decisions and events made elsewhere, practically never being the +cause+, almost always being merely the +consequence+.

"We may not again be the centre of the world," he said, "but at least we should be the centre of our world. We must commit ourselves to ensuring that the history of East Asia will be made in East Asia, for East Asia and by East Asians."

Referring to East Asia's rapid economic integration, Dr Mahathir said this is a clear example of market-driven open regionalism.

"In the years and decades ahead, I am sure that our comprehensive economic integrations will continue to be driven by market regionalism," he said.

"We will, I am sure, continue to welcome the other great economic players of the world in the process of enriching our market-driven open regionalism. Indeed, we must welcome all nations to join us in the making of our great market-driven East Asian regionalism.-More

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As East Asians take their first steps towards a zone of co-operative peace and prosperity, they must begin with small, pragmatic and productive steps "and we must expect our friends in other parts of the world to understand our aspirations".

"I believe that the immediate need is for East Asia to do two things," he said, adding that the first was to take advantage of regional synergies and opportunities for co-operation to maximise short, medium and long-term mutual economic advancement of the region.

The second was to build a productive coalition for the success of the Uruguay Round, for the sustenance of the open multilateral productive of regional and global economic interests.

On the wider theme of Asia in a changing world order, he said the Asia of today is no longer the Asia of the past. "We must be accorded our rightful place in a world that has already changed," he added.

"We have a dynamic present to traverse and dynamic future to make. This is a journey we cannot make alone.

"Asia should eagerly extend the hand of friendship and co-operation to all nations, regions and continents which are willing to work with us in true partnership." -- Bernama

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