

# PM: Global crisis could pose setback

## Reports from Lim Thow Boon

PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday expressed deep concern over the world's growth crisis which, if left unresolved, could cancel out many of the political, economic and social advances of the last few decades.

He said he was also deeply concerned about the future of the open, multilateral trading system; the fate of the Uruguay round of GATT talks on multilateral trade and the rise of inward-looking economic groupings and closed regionalism.

He was speaking on "World Trade: GATT, Groups and Growth" at the Asia Society conference on "Asia and the Changing World Order".

He noted that in the 80s, two out of three developing countries suffered a fall in their per capita incomes.

In more than half of these countries, the decline was more than 10 per cent, and

in two out of five, the collapse exceeded 20 per cent.

While this collapse in most of the developing world is without precedent in post-war history, the magnitude of the "Catastroika" in Russia and Eastern Europe over the last three years is without precedent in recorded economic history.

Unfortunately, Dr Mahathir said, the growth crisis had another component: the growth crisis of the developed world, which is, by far, the most consequential for the world.

He said Japan was in deep trouble, but the real economic crisis that the world had to worry about was in Europe and North America.

"There may now be disagreement only about whether there is an albatross or an elephant around the neck of the great German economy," he said.

"The United States has structural problems which are of the most intractable and fundamental kind.

"Many of these problems

are due to an unwillingness to face the fact, and the fact is that you cannot live beyond your means."

Dr Mahathir said the most worrying thing about world trade was the long-term trend.

In the 60s, world trade grew by an annual average of eight per cent. In the 70s it was 6.2 per cent. In the 80s, this dropped further to 4.4 per cent.

He said: "If history will travel in a straight line, we should expect an average world trade growth of between two and three per cent in the 90s.

"If this were to happen, the consequences would be devastation. We will be in *terra nullis*, uncharted territory."

On the Uruguay round of GATT talks, he said this remained in gridlock, held hostage by a few farmers and the political interests of their candidates.

The other members of GATT, some of those whose lives depended on the result, were essentially spec-

tators, very often not quite able to comprehend the game, still less, influence its outcome.

Dr Mahathir said multilateralism was under serious threat from "blocism", from unilateralism, from bilateralism and from "minilateralism", that is, exclusive deals between a select groups of countries.

He noted that US President Bill Clinton recently stated that while the developing world had been reducing their levels of protectionism in recent years, 20 of the 24 developed OECD countries had been substantially increasing their levels of protection.

"If the Uruguay round fails, what we have seen so far will be child's play," Dr Mahathir said.

"We can probably wave goodbye to the global trading system that we have known since the Second World War, which has yielded so much for every part of the world, without which the future miracles of East Asia cannot come to pass."

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