

Smart partnerships for global harmony

A TERM we hear often is the Zero Sum Game, a game in which the winner wins at the expense of the loser. When we add up the result of the contest, there is no real gain from it.

It is just a process of transferring what one contestant has to the other, the so-called winner. The net results is no different from the situation or the assets at the start.

If this is to be the basis for trade between nations then there will be no growth for the world as a whole; only growth for one or the other of the trading partners.

Thus the growth of the poor nations must result in the impoverishment of the rich to prevent the poor from ever growing.

Similarly, the growth of the rich must be at the expense of the poor. Not being in a position to prevent this, the poor will merely get poorer.

We know in fact that this is not the case. Over the years, the economies of all countries of the world have grown.

There are many reasons for this but I would like to draw attention to the experience of Malaysia where economic growth has not really been at the expense of others.

Indeed, the opposite is true. Malaysia's prosperity has benefited most of her partners.

Early on, after independence, Malaysia bucked the trend. Instead of being ultra nationalistic and ejecting foreign participants in its economy, Malaysia actually invited more foreign involvement in it.

As a result, many foreign companies invested in Malaysia. Since our main problem was unemployment, we created conditions suitable for labour-intensive industries.

It was not cheap labour which we touted. Rather, it was the generous incentives, infrastructure and the political stability. The lower



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... prosper thy neighbour

cost of labour in Malaysia has always been because of a deliberate policy of keeping the cost of living low.

The Japanese took advantage of this invitation most, although others also came. The net result is prosperity for Malaysia and the present full employment of its workforce.

QUOTE

If "beggar thy neighbour" remains the creed for this world, sooner or later we have to join the ranks of the unfortunate nations of the world.

The foreign partners who brought about Malaysia's prosperity have not suffered. Indeed, they gained by being able to sell more goods and get more contracts from a more prosperous Malaysia.

They, the investing companies and countries, have prospered by making Malaysia prosperous enough to buy their goods and services.

Today Malaysia, in a small way, is trying to do the same to the less developed economies of South-east Asia.

We are investing there in

order to create employment and generally to jump-start their economic growth. The results are already being enjoyed by Malaysia and others.

Not many refugees, economic or political, are landing on our shores now. Trade with these countries have multiplied manifold.

And Malaysia has not lost anything. We continue to grow at eight per cent plus, even as the Indochinese and other countries prosper.

"Beggar thy neighbour" is never a good policy. And today all the countries of the world are neighbours.

By impoverishing neighbours a price will have to be paid, including by the country which follows this policy.

Let us take the trade between Japan and Europe/America. Japan's emergence as an alternative source of manufactured goods was beneficial to the poor countries.

The Japanese have a different business philosophy. They want market share rather than big margins.

Left to themselves, the Europeans and the Americans would have priced their goods according to what their own people could afford. If they could not, it was a simple matter to increase wages or reduce cost by down-pricing the raw materials and energy from the poor countries.

There would have been nothing the poor countries could do. They would have to accept exchanging more and more raw materials for less and less manufactured goods.

But the Japanese kept their prices low in order to penetrate foreign market share. The result was that the poor countries were able to afford products which otherwise would have been beyond their reach.

If the Asian or African or Caribbean farmer could afford to buy a pick-up truck or a television or a refrigerator, it was because the Japanese were able to produce

cheap but high quality products.

The West could have adopted the Japanese approach and competed, thus bringing prices even lower.

But the West was not willing to give up its profligate ways. Workers in the West wanted high wages without working as hard as the Japanese.

Companies in the West took the easy way out, sacking their workers when faced with losses. And governments continued to pay ridiculous unemployment pay, sometimes as much as 90 per cent of last drawn salary.

All these kept their cost high and their goods uncompetitive.

Unwilling to make any sacrifice the West decided to render the Japanese products uncompetitive by forcing the revaluation upwards of the yen.

Today the yen is three times higher in value against the US dollar and of course against the currencies of most developing countries.

What is the result? Japan is now going through its worst recession from which it does not seem able to recover. Japanese goods are no longer cheap. The Japanese seem unable to manage their politics with weak Governments succeeding weak Governments. Japan is in deep trouble.

But the competing economies of Europe and America have practically nothing. They have not been able to fill the void left by the Japanese in the international market place.

Their own economies are not faring any better. Even if more European and American goods are imported into Japan, the earnings from these are not going to be significant. Despite the high yen, the balance of trade persists in being in favour of Japan.

Clearly neither Japan nor its competing trading partners have gained anything from the Plaza Accord and the yen appreciation.

For both sides, it is a lose-lose situation.

What about third parties, the developing countries like Malaysia?

The appreciation of the yen has trebled Malaysia's debt. Japanese products are now priced out of the reach of the peoples of the devel-

the West remain too expensive.

At the same time, most of the commodities of the poor countries are sold in US dollars, which means that earnings are even less able to buy Japanese goods or pay yen debts.

It is not just a lose-lose situation for the developing countries. It is a lose-lose situation for everyone. Making Japan uncompetitive may be good for the ego but it is not very smart.

When are we going to learn that begging your neighbour does you nothing good? Indeed, as has been pointed out, it has done everyone a bad turn.

Surely the better thing to do is to "prosper thy neighbour".

What applies to countries also applies to companies, even to individuals. Again Malaysia can provide the example. We had an abundance of low-cost labour, the result of our low cost of living, who are quick to learn new skills.

The manufacturing companies which came to Malaysia availed themselves of Malaysia's assets which also included political stability and general hospitality.

The result is that their products become affordable and competitive in the world markets.

Perhaps by investing in Malaysia they deprive the workers in their own countries of jobs. But these are highly skilled and highly paid workers who could be easily trained to do hi-tech jobs with higher value added. Indeed, this is what the Japanese did.

Investments by companies from developed countries in developing countries can be considered a form of smart partnership. Similarly, co-operation between individuals possessing complementary skills fall within the category of smart partnership.

Nations, companies and individuals should really strive for a win-win situation, for partnerships which benefit both instead of one at the expense of the other.

By adopting this philosophy, individuals, companies and nations will all be more prosperous.

As it is, relative to the unprecedented advances in science and technology, the world today is poor. Whole

finding more and more of their citizens living under bridges, pitifully covering themselves with cardboard boxes and begging for a living.

Malaysia has striven to escape form the poverty trap. We have, to a limited extent, succeeded. But for how long can we succeed?

If "beggar thy neighbour" remains the creed for this world, sooner or later we have to join the ranks of the unfortunate nations of the world.

Can Asia be stopped? It is not likely. Sooner or later the Asian economies must outstrip the rest of the world. Will Asia then browbeat the Western nations the way Asian countries are being browbeaten now?

It will be unfortunate if Asia's emergence as a powerful economic region results in a confrontation with the rest of the world. There is nothing to be gained by anyone in the end. Asia needs the rest of the world to be prosperous

order to include all of Central and South America. There are serious talks about close collaboration between Nafta and the European Union.

In the meantime, Asian countries are not even allowed to talk to each other. They may not form the East Asia Economic Caucus, a forum for discussing mutual problems. Japan and South Korea are directed not to join any such grouping. Instead all must join Apec (Asia-Pacific Economic Caucus) and be directed by the dominant members from among non-Asians.

All these are not likely to be welcomed by Asian countries. If they become strong, and this is very likely, then they will not forget the unfair treatment they have received. They are not likely to propose partnerships for mutual prosperity with the West. They will plump for the Zero Sum Game, that is Asian prosperity at the expense of Europe and America.

Who knows what this will lead to. Confrontation, economic and military threats, nuclear war or another Cold War which goes on for decades sapping everyone's strength. All these are possible, unless we are smart enough now.

Smart partnership is about companies working together for mutual gain. It is the logical and the best approach. We should all prosper not at the expense of but together with our partners and even our competitors. Smart partnerships apply to individuals too, and certainly to nations worldwide.

QUOTE

If there is to be no confrontation, if there is to be a smart partnership between Asia and the developed world in the West, the foundations must be laid now.

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The world today is dividing itself up into blocs, antagonistic blocs with the objective of gaining for one at the expense of the other. Only Asia has no trade bloc. But there is fear that Asia might unite and defy the West.

Imagine a trade bloc consisting of Japan, the world's second biggest economy, China with 1.2 billion people and the potential of being the world's most powerful economy, together with Korea, Taiwan and Southeast Asia. With almost two billion hardworking and skillful people and the capacity to make full use of modern technology, the confrontational potential is frightening.

It will totally dominate the world.

even as Europe and America need a prosperous Asian market. A troubled Europe and America is just not good for Asia.

If there is to be no confrontation, if there is to be a smart partnership between Asia and the developed world in the West, the foundations must be laid now. By adopting an unfriendly attitude towards each of the countries in Asia, the West is unnecessarily antagonising them and pushing them together. Singly they are already a handful. But united they will be beyond handling.

Whether it is admitted or not, trade blocs have formed in Europe and North America. The North American Free Trade Agreement (Nafta) is to be extended in