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It is a small interdependent world after all

THE Asian or Association of South-East Asian Nations' (Asean) leaders have shown that they are able to manage their finances and bring progress and development to their countries.

Poverty eradication programmes and the equitable distribution of income in Malaysia, for example, is unsurpassed anywhere in the world. I believe, it is in part due to this, that the international financial institutions - the International Monetary Fund (IMF), World Bank and the Asian Development Bank - have always lauded our policies.

Despite the current difficulties, countries in the region have not pulled back from their commitments in international trade and commerce. Malaysia for example, has taken positive steps to open its financial services sector in Geneva.

It will allow up to 51 per cent equity, up from 49 per cent previously in insurance firms operating within the country.

There is no reason to doubt that the region will recover soon because the fundamentals of the majority of the countries remain sound. Growth may be trimmed by one per cent or two, but that is not necessarily a bad thing. It may cause some discomfort to those of us who are accustomed to better marks, but we are also realists and that is also a strength.

The slowdown will provide a breathing space for the infrastructure to catch up. The traffic jams in Bangkok, Jakarta, Manila and Kuala Lumpur regularly cause delays and test the patience of commuters.

Malaysia, with full employment and nine years of above 8 per cent Gross Domestic Product (GDP) growth, can afford to take a breather. Even so, the forecast is for 7 per cent growth next year. Not bad really. The outlook for the other countries in the region is not too dismal either.

I can tell you this: Prime Minister Datuk Seri Dr Mahathir Mohamad is not harassing and blaming these (currency) speculators for nothing. The idea of discouraging speculative flows spurred Mr James Tobin of Yale University, a Nobel laureate, to propose a small tax on foreign exchange transactions to temper or hurt investors who change in and out of currencies frequently.

US President Richard Nixon had also condemned currency speculators. Speculators had forced the devaluation of the US dollar in 1971 and had also prompted Nixon into removing the US from the post-war fixed exchange rate system. A former US Treasury official, Mr Fred Bergsten, said Dr Mahathir was almost quoting Nixon and that there was a germ of truth in what Dr Mahathir said.

Some critics have said that the Asian miracle was no real miracle; they seemed to be right when the so-called "tiger" economies became feeble.

However, I would rather believe Professor Sachs and Mr Steven Radelet, both of the Harvard Institute for Development, who jointly wrote, in the latest issue of Foreign Affairs, that the "South-East Asian currency crisis of 1997 is not a sign of the end of Asian growth but rather of a recurring - if difficult to predict - pattern of financial instability that often accompanies rapid economic growth".

Just as Indonesia, Malaysia and South Korea rapidly recovered from financial crises in the 1970s and 1980s, so too are the Asian economies likely to resume rapid growth within the next two to three years. In the long term, growth will continue because most of Asia has adopted capitalism, the organising basis of economic life and has become deeply

integrated with the global economy".

I believe them. I believe Dr Mahathir. I believe myself but more importantly I believe in Asian resilience and Asian values. We do have a bright future.

Imagine this: In about 25 years from now 55 per cent of the world's income will come from Asia. It is a natural thing for growth in developing economies to slow down as they catch up with the US economy.

Asian economies are deeply integrated into the global and US economies. Geopolitically speaking, we are all in a new world of interdependence.

The problems of South Korea and Indonesia are bad according to Mr Thomas Friedman. Their troubles - I can tell you - won't just affect them, they will affect the US too because the US has huge investments out there. And if South Korea tumbles, Japan will be affected (South Korean business owes at least US\$150 billion - US\$1 = RM3.48 - to Japanese banks).

When Japan totters, its banks will weaken and they will, asserted Friedman, sell some of their US stocks, bonds and Treasury bills. And if the yen weakens, it will balloon the US trade deficit and trip another row of dominoes.

Indonesia, which owes US\$100 billion to foreigners, stated Friedman, is a shaky domino. Unless the US Congress realises its folly, it will eventually cost Washington dearly.

Washington must pay its debts to the United Nations swiftly. At a time when the US is trying to build up political (and military) support to deal with Iraq, the US must not be seen as standing alone. Of course, the US and Britain can act together; indeed, the US could probably act alone.

The question however, is whether the US is willing to pay a heavy political and diplomatic price for it? It was also not a wise decision for the Congress to stop US President Bill Clinton from obtaining additional funds for the IMF. The US is the world leader whether it wants to be or not. The proposed fund was to enable the IMF to grapple with global financial problems before they hit the American people.

We have heard and listened to advice from all quarters. We know our strengths and weaknesses. We did many things right and will continue to do so. We will increase an already high savings rate. Our fiscal policies are sound and we are an open economy. We have liberalised trade and foreign direct investment is warmly embraced. We have invested and will continue to invest heavily in education, public health and other programmes to benefit the people.

Many of the Malaysian economic fundamentals were and will remain sound; we need not reform our political system in ways that have been suggested - to discomfort the leadership.

No thank you. Malaysia has never had entrenched elites that could not be removed through an election. We are not perfect - corruption does exist but it is nothing like what you think or imagine it to be. It is a manageable evil; otherwise we would not have come this far.

There are no Malaysian Marcoses, Mobutus or Batistas. We hear you, but we are not rushing to dismantle our system just because of your exaggerated views. We will not take draconian steps and give our economy the shock treatment. We do need treatment but it is going to be done our way.

Overdoing things or overdosing could make our region, and the Malaysian economy, go into a prolonged and unnecessary recession. Would you want that?

A prolonged recession would have grave human and political implications for us all and for world peace. It would hurt the US economy and its people. Remember that US trade with East Asia is stands at 16 to 20 per cent per annum, and that is quite a substantial ammount. It would be

extremely dangerous and foolhardy to start an economic bushfire which may spread to previously unimagined areas.

Amok is a Malay word - but I can tell you that in the past year or so more people were killed in New York with guns and knives than through amok or "mengamuk" activities since the 19th century. So don't bank on our economy going berserk. We will probably not even over-react.

We have work to do and we will do it not because we want to prove how wrong the financial gurus and experts have been but because we can't allow this temporary contraction to cause prolonged and permanent damage.

We will recover from our meltdown because our Asian values will see us through. So don't drink all your champagne yet.

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