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Mahathir-Caution

AEM: BE WARY OF HOT MONEY OPERATIONS, SAYS DR MAHATHIR

PETALING JAYA, Oct 16 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today cautioned Asean countries that while inviting real long-term investments, they should reject "hot-money operations which do not create wealth for us."

At a time when the currencies of several Asean economies have come under severe speculative and manipulative attack, Dr Mahathir said, they should make a distinction between speculative short-term hot money operations and serious investments in productive activities.

The prime minister said the ability to discern between real investments and speculative operations was vital as evidenced by the attacks on several Asean currencies which revealed how vulnerable they were.

For Asean's long-term prosperity, member countries need to cooperate in macro economic policy formulation to ensure the achievement of stable, sustainable economic growth for the region, he said when opening the 29th Asean Economic Ministers (AEM) meeting, here.

The two-day meeting, chaired by International Trade and Industry Minister Datuk Seri Rafidah Aziz, is being attended by trade and economic ministers of the nine Asean countries including Myanmar and Laos which came on board last July.

Dr Mahathir said that while recognising the need for Asean to embrace the positive aspects of the development of capital markets, they should check against abuses such as currency market manipulation which had brought much hardship to member nations.

Turning to the role of the World Trade Organisation (WTO) towards freeing global trade, he said: "Liberalisation is not about doing away with rules and laws altogether."

"It is about everyone submitting to the same set of rules, regulations and laws on a world scale rather than a national scale," he said. However, they should be enacted democratically, he added.

Stressing that actions taken outside the WTO should not be allowed and should not be respected, he said Asean continued to exert its influence during the WTO ministerial conference last December to disallow extraneous issues and non-trade issues within the trade body's disciplines.

"We need to liberalise without ignoring the dangers posed by those who see only the opportunities afforded them by their strength and experience and the weaknesses which their victims may have," he said.

Dr Mahathir said these factors formed part of several challenges Asean would face. "While standing together to face problems may not amount to much, it is much safer than isolating ourselves in the hope that we may not be noticed and thus left alone," he said.

"Some postulate that the future of the world will be characterised by herd behaviour and herd instincts...the different herds will wheel to the left or the right or will charge ahead, trampling upon whatever may be in the way," he said.

"This does not speak well of the progress human civilisation has made...but then, the history of human civilisation is full of the exploitation of the weak by the strong and the powerful," he said.

While Asean integrated economically, he said, the grouping should also harness the benefits of information technology at a very early stage "before the enormity and speed of these developments render it impossible for us to catch up."

"Here, Asean should ensure that the guiding principles for a framework for electronic commerce does not disadvantage the grouping but places us all in a position to reap maximum benefits. We cannot ignore that we need revenue to govern ourselves and much of this revenue comes from commercial activities," he said.

Dr Mahathir said that in moving forward Asean might have to look at the way it cooperated with a new perspective... "our targets must be that of gaining advantage from our strengths rather than merely protecting our weaknesses."

He said: "We had struggled hard to gain independence and we cannot afford to lose our sovereignty in the name of free, unrestricted breaching of our economic and other borders... at least we must ascertain that such breaching will be subjected to eventually beneficial rules."

He also noted that Asean should reduce transaction costs, simplify and make transparent regulatory and administrative procedures as well as combat corrupt practices squarely.

To make the cost of doing business cheaper in Asean, he said, the region's utility industries would have to review their efficiency and liberalise the more restrictive regulations relating to the cost of electricity, gas, water and telecommunications.

He lauded the dispute settlement mechanism (DSM) which provides a much needed reference to deal with disputes swiftly and effectively, especially since more disputes would occur with greater integration.

Despite numerous difficulties, Asean has come a long way, and now boasts of a bold regional endeavour to create the Asean Free Trade Area (Afta), which he said should be used to gain a greater foothold in the international market for both goods and investments.

In this way, it would make the grouping an attractive investment area for long-term non-speculative foreign direct investments that attract world-class producers to locate their operations in Southeast Asia, which is projected to have a consumer base in excess of 500 million people by the end of the decade.

He lauded endeavours to establish the Asean Investment Cooperation (Aico) scheme, which goes beyond mere tariff reduction by promoting joint industrial cooperation as well as the development of the Asean Investment Area (AIA).

The AIA, he said, was a key decision to enhance regional competitiveness through freer flow of capital as well as goods and effect transparency and predictability of policies and practices in investment, thus making Asean an investment haven.

Against a backdrop of such endeavours, Dr Mahathir expressed confidence that Asean economic cooperation would be brought to a higher plane as envisaged by the Fourth Asean Summit in Singapore in 1992, but said: "to remain on this higher plane, we need to set our sights higher."

Efforts should also be geared towards developing the relatively weak services sector which has been highlighted as a major contributor to the current account deficit, he said.

This was because the manufacturing and industrial sectors could not remain as the only engine of growth as their contribution to the Gross Domestic Product (GDP) had almost reached the optimum, he added.

The grouping's older members should also pay special attention to the development gap between the old and new members, Dr Mahathir said in reference to the transition economies of Myanmar and Laos as well as Cambodia, which is expected to eventually join the grouping.

With the global environment fraught with uncertainties, Dr Mahathir challenged Asean to ensure that it remained relevant in the next millennium by having a longer-term vision of what "we want to be as an association."

The question Asean would need to ask was whether it foresaw itself becoming a common market like the European Economic Community (EEC) or an economic union like the European Union, but what was certain was that bold moves were needed towards greater economic integration, he said.

The prime minister said that the currency manipulation which hit some Asean countries "should be a big lesson for us for while we should always avoid abusing the system, we must be perpetually alert to the possibilities of others exploiting our weaknesses to weaken us further."

"We have a duty to bring order within and between our countries and indeed contribute to a more orderly world environment," he said.

-- BERNAMA

MR JK