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DR M SAYS S.E. ASIA SHOULD BE ALLOWED TO CHOOSE RECOVERY ROUTE

By: Yong Soo Heong

HANNOVER, March 19 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today said South East Asian countries, in all fairness, should at least be allowed to choose their own way towards economic recovery.

He said the recent slight strengthening of currencies and share prices showed that they have the capability to bring back confidence.

He believed that South East Asian countries, which had suffered from the economic crisis, must act now and create a future that will be better than the present.

However, he admitted that the future would somehow be different than what had been experienced previously.

"We have to work to recover now. People, millions of them, are already suffering from food shortages, from lack of medicine, from uncertainties about what is going to happen to them. We need action now," he said.

Dr Mahathir made these remarks at the Malaysian-German Business Forum held at the Hannover Chamber of Commerce Building.

In his speech on South East Asia after the economic crisis -- future challenges and prospects -- Dr Mahathir was in his usual sharp and observant element as he touched on a wide range of challenging issues like the road to recovery, deregulation and globalisation, whether developed countries would be prepared to accept millions of jobless migrant workers in a borderless, globalised scenario, crony capitalism and South East Asia's need for foreign direct investment.

The prime minister said provided that there was some stability in terms of exchange rates, South East Asian countries can make their choice of the route for a comeback.

In the meantime, he said, they would need help in the form of foreign long term investment and with their depreciated currencies, it would be relatively cheap to invest in South East Asia now.

"There may be some restrictions but South East Asians have learnt their lessons. They now know what is good for them and knowing this they will be able to face the challenges of the future, whatever they may be," he said.

Delving into the economic crisis which had devastated South East Asian economies recently, Dr Mahathir traced the economic progress of the Asian "tiger economies" which, at one time, were racing towards becoming developed countries and making the 21st century an Asian one.

"Then suddenly they began to stumble, totter, shrink visibly and then collapsed, he said, and "within months the economic wealth they had created began to disappear."

Their governments, the very same governments which had engineered the so-called "economic miracle" were suddenly found to be incompetent, corrupt and given to crony capitalism. The policies and strategies that they had developed earlier, which had apparently contributed towards their rapid growth and general wealth, were suddenly found to be the cause of their downfall.

This led to foreign investors losing confidence in the economies and they started to pull out their capital and profits.

The prime minister said that it was strange that the same governments by the same leaders with the same strategies and practices, which had for 30 years created the so-called "economic miracles", were now causing economic collapse, massive unemployment and poverty, and social and political unrest.

"Can it be something that worked in the 1980s and early 1990s should fail because it is 1997?" he asked, and added that nothing else had changed except time.

Dr Mahathir asserted that one would be able to understand if in July 1997 the governments changed and suddenly a number of mad men took over the leadership of South East Asian countries and alluded to the fact something radical took place when Adolf Hitler became the German Chancellor years ago.

But he said that in South East Asia, there was no sudden or even gradual change of governments, leaders, policies, strategies or ideology.

"Yet within a month, the tigers of South East Asia were reduced to whimpering bedraggled kittens ingloriously begging for help. Gone were the pride and the ambition of becoming developed, about Asian domination and the Asian century," he said.

Dr Mahathir offered a number of options which South East Asia could make a comeback and one of them was to follow unquestioningly "the advice given to us to integrate fully into the globalised economy."

Saying that the countries concerned were ready to open up to face the free flow of capital across borders, he also said that they agreed that there would be little or no discrimination against foreign companies and goods through differential tariffs and duties.

"We also agree in the interest of greater efficiency and the reduction of prices for our people, that 100 percent foreign owned banks and companies should be allowed free access to our countries."

Dr Mahathir also said keeping domestic markets closed would only result in the people being burdened with high cost and poor quality goods.

But on the other side of the coin, Dr Mahathir also raised his concerns that free access of tax free foreign products was likely to reduce investment in the region.

"Our workers will not be able to get employed, especially if the levelling of the playing field involves levelling the wages of workers worldwide.

Government revenues are likely to decrease, economic growth stunted and eradication of poverty slowed."

In order for a borderless unregulated world to be meaningful, Dr Mahathir floated the idea that "our workers must be allowed to move across borders freely. Their skills and their willingness to work hard are as valuable as the management and technological skills of the people from the developed countries. They can contribute to lowering costs and increasing productivity in the developed countries."

Saying that Malaysia has wide experience of playing host to immigrants, he said in fact almost half of the country's population was of immigrant origin.

"They have contributed greatly to our economy. But we cannot afford to have too many migrants in our country."

Offering a solution to overcome South East Asia's problem involving about half a billion people, he suggested that there should be greater deregulation, liberalisation and globalisation pertaining to migrant workers.

"It should result in higher standards of living for the reduced population after the out-migration of their workforce. The foreign investors on the other hand should be allowed to settle in their countries, thus making their skills and capital indigenous," he said.

Dr Mahathir also offered two other solutions in overcoming the crisis. One was for Asia to become more Asian and promote greater intra trade in their own currencies.

He said Asean member countries had already agreed on this and there was

a possibility that it could be extended to North East Asia.

The third solution for South East Asian countries was to go back to the system that had brought them prosperity but with certain adjustments in that certain protective barriers can be retained.

Dr Mahathir said there was a likelihood that there could be strong pressure against this and those who had accepted conditions from the International Monetary Fund would not be able to take this route.

He felt that this third approach of managing the economies of South East Asia would be sufficient to cater to a mild degree of nationalism, a desire to preserve national identity and pride.

"Perhaps in a globalised world, this kind of nationalism is anachronistic and that it is better if we all forget our race or nationality in favour of giving our people unlimited access to the best and cheapest good and services."

But then Dr Mahathir said people were perverse and might prefer their own products and services though they may be inefficient and inferior.

"Maybe the third choice is not compatible with a globalised deregulated world," said Dr Mahathir, but he argued that it should not be dismissed altogether since it may be less disruptive and may reduce migration and the problems these can cause the developed world. -- BERNAMA

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