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PM: Things looking up but let us be cautious

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KUALA LUMPUR, Mon. - The economy is showing signs of recovery but Malaysians cannot afford to pat their backs too soon, Prime Minister Datuk Seri Dr Mahathir Mohamad said tonight.

"Difficult days lie ahead but we must strengthen our resolve to face and overcome every move, every attempt to frustrate and make us fail," he said.

Speaking at the Malaysia Harvard Club dinner at the Palace of the Golden Horses, he said it must be admitted that the success of the economic measures implemented by Malaysia was not guaranteed.

"There are weaknesses and flaws and there is every possibility that we ourselves will undermine what we are doing.

"Of course the West will try to break us, to find fault lines which can be widened and prised apart. We must be prepared for all these, to protect ourselves and our strategies and to innovate. We must not be rigid in our approach and in solving problems."

In the speech titled The management of an economy in crisis, Dr Mahathir focused among others on the abuse of the free market by the capitalists, the biased views of the Western media and their economic experts that the Asian financial crisis was due to corrupt and incompetent governments, and the failure of the International Monetary Fund to address the East Asia economic problem.

Dr Mahathir, who is also First Finance Minister, said the view taken by the Western media was clearly racist but such was their power that no one dared to state this obvious fact.

"Malaysia's New Economic Policy designed to reduce the economic and social disparities between races and to achieve a harmonious society is also regarded as cronyism by Western economists and their Press.

"Obviously they want to perpetuate economic inequalities and racial animosities. That this will result in instability and poor development is perhaps their aim. Then they would be saved from having to compete with these countries."

Dr Mahathir said measures carried out to revive the economy had been immediately condemned as attempts to help members of the leaders' families and their cronies. "It is impossible for our non-Asian foreign detractors to believe that Asian government leaders can be honest at all.

"If they do anything at all for the good of their countries, it must be because they are corrupt and want to help their cronies and families."

Saying that these racist views would persist, Dr Mahathir called on the people to ignore them and get on with rebuilding the country. "We have to hold on to Asian traditions and values; traditions and values which are in no way inferior to those of the ethnic Europeans."

On the International Monetary Fund, Dr Mahathir said: "It has now admitted that it had made a `slight mistake' in dealing with the Asian economies.

"It may be slight for the IMF but the cost to the countries of Asia is horrendous.

"Trillions of dollars of hard-earned assets and economic capacities have been destroyed, lost forever. In fact lives have been lost, Governments have fallen and racial animosities intensified."

Asian values and ways of doing business are different from Western ways, but this does not mean that they must be inferior or wrong.

Citing the high savings as example, Dr Mahathir said because of this, Asian businesses could borrow much more and the loans were repaid; such was their servicing that foreign banks rushed to offer very attractive terms for them to borrow.

But when they borrowed from abroad, Dr Mahathir said the Asians did not expect their capacity to repay foreign loans to be undercut when the currency traders deliberately devalued Asian currencies.

"The Asian borrowers found themselves owing more than they borrowed. And so they could not repay or even service their foreign loans. Eventually they could not service even local loans. Is this their fault? Is this the fault of the Asian way of doing business?"

Dr Mahathir said the Europeans were not about to leave Asians, their values and their systems alone even though these had proven effective in developing their economies and had rendered them competitive against the West.

He said he believed that the markets, when well regulated and prudently supervised, whether domestically or globally, could be an enormous force for social good.

He also touched on non-performing loans, saying that when the Assets Management Company was formed to buy out these NPLs, international rating agencies immediately lowered the credit rating of the country, making it extremely costly to raise funds in foreign markets.

"That way they hoped that the Assets Management Company will fail to resolve the NPL problem.

"It would be naive to believe that the rating agencies were only doing a good service to potential lenders.

"The timing of their downgrading bears all the marks of deliberate sabotage."

Apart from market forces, Dr Mahathir said that governments also had a positive role to play, thus the need to constantly probe for the best mix of the two so that one did not get the better of the other.

He said indications were that world output this year could fall by two to three per cent due to Russian and East Asian turmoil.

In a world of six billion people, Dr Mahathir said, only about 1,000 currency traders and a few rich investors seemed to be able to enrich themselves further through the unbridled manipulation of the free market.

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