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Mahathir-Conditions

AID AGENCIES IMPOSE ABSURD CONDITIONS TO STIFLE GROWTH

PUTRAJAYA, June 29 (Bernama) -- Multilateral agencies sometimes impose absurd conditions for aid to developing countries to the detriment of the nations' socio-economic well-being, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said some of the conditions imposed by donor agencies, such as the World Bank, stifled the growth of developing economies which over time, would force them to apportion the best part of their revenue to repay the debts.

"This will prevent any economic recovery," he said during a dialogue with 18 African journalists at his office here today.

He was asked how African states could go about economic liberalisation without hurting their economies.

As such, the prime minister said, good economic management was crucial in ensuring social progress while pursuing economic growth, which was why developing countries should for instance focus on attracting foreign direct investment.

However, he said, political stability was an important ingredient in encouraging FDIs which would initially help create jobs even if they were fully-foreign owned, as was the case in Malaysia in the 70's.

Over time, countries would be able to accumulate wealth and buy over some of the foreign operations as well as acquire skills in the process, he said.

This, he said, would prevent the ill-effects of depending too much on aid agencies.

With mounting debts burdening African countries, Dr Mahathir said he was happy when some developed countries decided recently to waive certain debts of the poorest countries, a move which they should have done much earlier.

Dr Mahathir said building up one's own economy from a small base was a better alternative to nationalising foreign operations.

Turning to Malaysia's experience in bettering the socio-economic well-being of its people, he said a major thrust in the early days was the New Economic Policy aimed at eradicating poverty and restructuring society through more equitable distribution of wealth.

For instance, he said while the Bumiputeras made up 60 per cent of the population, they only held a two per cent equity in the economy prior to the implementation of the NEP.

This was why the policy stated that their stake in the economy should be raised to 30 per cent.

"Even this policy has been relaxed although the Bumiputera share of the economy is now at 20 per cent and we are still trying to achieve 30 per cent.

"Beyond that, they have to compete so there is no reason to stop this policy as there are still many Bumiputeras who are in need of help from the government," he said.

He also lamented that groupings, despite having arrived at good proposals, did not work on implementing them,

Citing Apec (the Asia-Pacific Economic Cooperation forum) as an example, he said despite its strong economic clout, the grouping had preferred to shift the responsibility of dealing with currency speculators to the Group of 22 developing countries at the Apec Summit in Kuala Lumpur

last November.

Dr Mahathir also said Malaysia would only lift its selective capital controls after there was reform to the international financial architecture.

-- BERNAMA

MR SHY RYN