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Dr Mahathir: Slower growth for crisis-hit economies

A. Kadir Jasin in Beijing

DATUK Seri Dr Mahathir Mohamad said yesterday while it was true that the crisis-hit East and Southeast Asian economies were recovering, the pace would be slower than before.

Citing Malaysia as an example, the Prime Minister said it was projecting a growth rate of only one per cent this year compared with eight per cent recorded in the 10 years prior to the 1997 financial crisis.

He told a Press conference attended by Malaysian, Chinese and foreign journalists that it might take a long time - up to 10 years in some cases - to recover fully.

The Prime Minister flew to Ulan Ude, the capital of Russia's Buryatia Republic soon after the Press conference.

Dr Mahathir was asked to comment on the growing signs of recovery among the affected East and Southeast Asian economies.

He said this was conditional upon their economies not being attacked by currency traders and a new international financial architecture was created to make currency trading and short-term capital flows more transparent.

In the medium-term, said the Prime Minister, the growth prospects were not as good as they used to be.

Asked what lesson came out of the crisis, Dr Mahathir said it taught developing countries to be more circumspect in embracing globalisation, adding that unscrupulous free-traders had no qualms about exploiting weak economies.

To a question on the likelihood of a devaluation of the yuan, the Prime Minister said Chinese leaders, who he met, said they would not do so.

Dr Mahathir met both Chinese President Jiang Zemin and Prime Minister Zhu Rongji during the three-day working visit.

The Prime Minister, who thanked the Chinese leaders for their assurance, said Malaysia was of the view that a small devaluation of the yuan - say by 10 per cent - would not affect regional countries as their currencies had already been badly bruised. They would remain competitive against China.

Asked if he was seeking China's support for the revival of the East Asia Economic Caucus, Dr Mahathir said Chinese leaders appeared to be keen on the idea.

He said Jiang, who he met in Dalian on Thursday, agreed that a new international financial architecture was needed to provide transparency to currency trading and cross border capital flow.

The Prime Minister said the forthcoming Asia-Pacific Economic Co-operation summit in Auckland, New Zealand, later this year was still on his agenda.

But, he said he was not expecting too much to come out of the meeting as leaders attending it were not willing to take decisive steps on critical issues such as financial crisis and the setting up of a new international financial architecture.

The leaders, he said, were more inclined to leave the task to inferior bodies and forums.

The Prime Minister was, however, more hopeful of the establishment of an Asian Monetary Fund as originally proposed by Japan at the outset of the regional financial crisis but shot down by the US and the International Monetary Fund.

Asked to elaborate on his proposal for the creation of an Asian Media, Dr Mahathir said it had been a dream of many circles for a long time, but apparently products of such a concept would not be well received by readers, adding that they were used to the Western media.

On the Spratlys, the Prime Minister said disputes should be settled through negotiations, either bilaterally or multilaterally. Dr Mahathir and Zhu discussed the establishment of a code of conduct on the South China Sea during their meeting on Wednesday.

Commenting on the Southeast Asia Nuclear Free Zone, the Prime Minister said Asean had been pursuing the concept for a long time but it would be meaningless if it was not subscribed to by the nuclear powers.

So far, he said only China was willing to accept the policy.

"If China is willing to subscribe to the policy, why not other nuclear powers? After all, it is the Chinese who are perceived to be the threat," he said.

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