

05 JUL 1999

MAHATHIR-EAEC

DR M: JAPAN SHOULD RETHINK ABOUT EAEC

KUALA LUMPUR, July 5 (Bernama) -- Japan should have a rethink on the East Asia Economic Caucus (EAEC) and should not be led into believing that the caucus is a threat to countries outside the region, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

"Europe has the European Union and North America has NAFTA. We accept them. Why cannot they accept the EAEC?" he asked.

Through the EAEC, countries can resolve and discuss common problems facing the region, he said in an interview with The Mainichi Newspapers.

In the report published on July 5, Dr Mahathir discussed at length the economic strengths of Japan, of how Malaysia emulated the Japan Inc concept and of how countries in the region need its (Japan's) help.

East Asia, Dr Mahathir said, needed the economic and financial strength of Japan.

Asian prosperity, he felt, would help Japan to recover and in helping Asia, Japan would also be helping itself.

He said countries in the region had welcomed Japan's 1997 proposal for the US\$100 billion Asian Monetary Fund, which was dropped due to US opposition.

However, the US\$30 billion Miyazawa Plan has been helpful for Asia's recovery, he stressed.

"A newspaper reported that there was some opposition to the fund being made available to Malaysia. Fortunately, the Japanese government stood firm and provided loans to Malaysia," he said.

Dr Mahathir hoped that the Japanese would always stand by their friends in times of need, irregardless of pressure from elsewhere.

He went on to say that the revival of the Asian economy is very much dependent on the economic recovery of Japan.

However, he said it seemed that Japan wanted to do away with government/private sector co-operation, a relationship which has been dubbed as "Japan Incorporated" by the West and had replaced it quite suddenly with the so-called Western concept of separation between government and the private sector.

Dr Mahathir said close government/private sector co-operation was what helped Japan to recover from the wreckage of the Pacific War and go on to become the world's second economic power.

Admittedly, there were abuses of the system, but Japan Incorporated worked very well. Dropping it suddenly must cause economic turmoil as people, both from the government and the private sector, found themselves having to adopt a totally different way of doing work.

Admittedly, he said abuses must be got rid off but this must be done gradually so as to give time for adjustments to be made.

Dr Mahathir said it must always be remembered that the government has a "share" in all businesses in the country.

"When companies make profit, the government is entitled to a percentage of the profit in the form of corporate tax," he emphasised. "A company's failure is a national failure as when a company fails, governments get no money, employees suffer as do consumers. So you cannot simply allow companies to fail, especially, when it is due to no fault on their part, as in a recession."

Malaysia adopted the Japan Incorporate concept in believing that helping businesses to succeed would help government revenue to increase.

"We regard every businessmen as our crony and we will help them to succeed. When they do, government revenue is increased, the country's economy grow, people are gainfully employed and the country enjoys a lot of positive spin-offs effects," he added.

The devaluation of currencies and plunging share prices would put any company, even the most successful, into trouble, Dr Mahathir said.

"Foreign companies and banks of rich countries thought that they could acquire these businesses and banks cheaply and then inject capital to revive them," Dr Mahathir said. "This is unwise because the people will resent their companies being taken over by foreigners."

He said that in the US, foreigners can buy only 24 percent of their airlines and in Canada, a company that has always been identified with Canada's history has been taken over by Americans.

"There was a lot of resentment. People cannot avoid feeling that the economy would be controlled by foreigners," he said.

Dr Mahathir said he introduced the Look East Policy after observing Japan, the character of the Japanese people, their work ethics and their management methods.

"The policy is not about cutting out the West and giving all contracts to the Japanese," he explained. "It is about learning Japanese work ethics and business practices and indigenous people must acquire these skills to make a success of the New Economic Policy (NEP)." -- BERNAMA

SHO SHY