

22 JAN 1999

MAHATHIR-DEFLATION

MALAYSIA MUST BE PREPARED FOR WORLDWIDE DEFLATION, SAYS MAHATHIR

KUALA LUMPUR, Jan 22 (Bernama) -- Malaysia, which has been able to manage the financial turmoil fairly well, must also be prepared for a possible worldwide deflation, Prime Minister Datuk Seri Dr Mahathir Mohamad said tonight.

He said since there was a high possibility of a worldwide depression in the future, Malaysia must insure against it.

Speaking at the launching of the 50th anniversary logo of American International Assurance (AIA) here, Dr Mahathir said, "When the bubble bursts we cannot help but be affected. So our problems are far from over.

"They (commentators) say it would not happen. But they have been wrong many times before. And they can be wrong again."

Dr Mahathir, however, said if the expected deflation did not take place, there would certainly be other challenges.

But he said that since Malaysians were great savers, disciplined and a hard working lot who thought that their well being and their country was their responsibility.

"We have to continue with these habits and cultural traits," Dr Mahathir said.

Besides deflation, one of the challenges which Malaysia may face was the much talked-about globalisation or a borderless world, he said.

"We are getting ready to open up our borders. But we are not getting ready to handle the problems that will come with opening borders," he said.

According to the prime minister, Malaysia had a foretaste of globalisation when capital was pulled out from the country and the ringgit was devalued.

"We did not anticipate that and we were therefore unprepared to deal with these abuses of the free flow of capital. We have been fortunate in being able to contain these activities eventually," Dr Mahathir said.

Globalisation can also be good if it was regulated just as capital flows can be good if regulated, he said.

"We should welcome globalisation but we must ensure that it will not open to abuses," he said.

Dr Mahathir noted that rich had been making preparations to take advantage of globalisation where where huge banks, industries and utilities were being formed through mergers and acquisition.

He said that each of these corporate giants was bigger than most of the developing countries and there was without doubt that these giants wanted to monopolise the field that they were in.

"The tiny banks, industries and utilities in the developing countries will be swallowed up by them once the borders are down. In any case, it will not be possible to compete with these giants," he said.

Dr Mahathir lamented that when such a situation occurred, governments cannot protect these smaller companies as the protection of businesses owned by nationals would be labelled cronyism and nepotism.

"Only foreign takeovers will be free of such accusations. Eventually the foreign giants will take everything. The competition will be between them. We will all work for them," he said.

Dr Mahathir said although Malaysia welcomed globalisation, deregulation, liberalisation and borderlessness, the country must know what all the mergers and acquisitions and the consolidation of the foreign corporate giants were all about.

"Are they preparing for a world invasion, for world-wide monopolies, for economic hegemony?" he asked. "If they are and it looks as if they are, then if we cannot halt them, we must appeal for time. Please don't use the IMF (International Monetary Fund) to prise open our markets to pick up things on the cheap," he added.

"Don't accuse us of cronyism if we try to protect our people from these predatory giants. It is our right to defend ourselves and our independence," he stressed.

This was because Malaysians did not fight for independence only to be trampled under and made worker bees to foreign queen bees, he said.

At the function, Dr Mahathir praised AIA for being a good corporate citizen as it had invested most of its earnings in Malaysia.

"It is a partner and not a foreign exploiter," he said. -- BERNAMA
DVS/NLY SHY