

11 MAY 1999

MIER-INITIATIVES

MIER CALLS FOR REGIONAL INITIATIVES TO OVERCOME ASEAN CRISIS

By: Mahesh Prasad

NEW DELHI, May 11 (BERNAMA) -- Regional initiatives are needed to overcome the economic crisis facing the East Asia, said Dr Mohammad Ariff, Executive Director of the Malaysian Institute of Economic Research.

Speaking on "The Financial Crisis and the Reshaping of the Malaysian Economy: Trends and Issues" in the "Eighth Indian-ASEAN Eminent Persons Lecture" here yesterday, Dr Ariff said foreign investors will stay away from Malaysia despite serious domestic economic reforms so long as the rest of the region remains in bad shape.

Regional initiatives, he said "are therefore warranted to complement national initiatives and they should extend beyond ASEAN to APEC and to India.

Dr Ariff said pump-priming can work more effectively if it is implemented simultaneously in all affected countries in a co-ordinated fashion so that one's fiscal stimulus would reinforce another's.

National campaigns such as "Buy Malaysian" instead of imports, he said is counter-productive as it does not help the region as a whole to lift off.

For instance, Malaysia should be able to help the Indonesian economy by consuming more Indonesian goods, which in turn would lead to increased imports by Indonesia from Malaysia.

It would make enormous economic sense, Dr Ariff said to practise what Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad calls "prosper-thy-neighbour" policy, instead of beggar-thy-neighbour policy.

Both India's Deputy Chairmain of Planning Commission, K.C. Pant, who presided, and Dr Ariff spoke on the need for greater interaction between India and Malaysia.

India's "Look East Policy", Pant said, was not just a slogan "we would like to foster closer relations and work with them."

India would like a greater flow of technology from India to ASEAN, he said.

Coming to wider regional economic relations, Dr Ariff said India is an important developing country and can be an import source of technology and skilled manpower for harnessing Malaysia's industrial restructuring. India has the capabilities to assist Malaysia and other ASEAN countries in their R & D efforts while Malaysia has the state-of-art technology in the commodity sector to share with India.

"By the same token, India can reciprocate as there is considerable scope for software technology transfer and cooperation, specially in the IT related services sub-sectors from India to Malaysia in the context of Malaysia's MSC (Multimedia Super Corridor) initiative," Dr Ariff said.

Further, Dr Ariff said it would be mutually beneficial for both India and Malaysia to provide greater market access to each other's products. India's rich experience with barter trade or counter trade can be very useful for Malaysia to learn some lessons from, in its quest to diversify the export market to include countries which have hard currency problems.

Malaysia and India, he said, should also explore the possibilities for conducting bilateral trade in their own currencies.

Malaysia can be the gateway for Indian exports to ASEAN region just as India can serve as the gateway to Malaysian exports to the SAARC (South Asian Association for Regional Cooperation) region, he said.

As a country which has had a long history of exchange and capital

controls, India is again a rich source of experience and expertise, now that Malaysia is charting into such unfamiliar waters, the MIER chief said.

However, he said there is no suggestion that what worked for India would work for Malaysia just as well.

"But the lessons drawn from Indian experience may well be instructive to Malaysia to contain the costs of capital controls to its economy."

Dr Ariff said it was Malaysia's good fortune that its external debt quite was unlike that of South Korea, Thailand or Indonesia.

It was so small that Malaysia did not have to seek IMF help, he said.

However, he said one must acknowledge that other countries, which had adopted IMF remedies, had also begun to exhibit positive signs of recovery.

The main difference is that the pain caused by IMF measures have forced these countries to undertake serious corporate restructuring and reforms while Malaysia is still searching for painless solutions.

Making a strong case for "new architecture" for international financial system, he said the Bretten-Woods system, devised immediately after the Second World War, has become increasingly irrelevant.

He, however said "it is not easy to design a new system that is acceptable to all economies." -- BERNAMA

MP SHY