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PM: Be prepared for deflation (HL)

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KUALA LUMPUR, Fri. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today Malaysia must be prepared for a worldwide deflation, although there were those who felt that it would not take place.

"We must be prepared for a possible worldwide deflation. They say it will not happen. But they have been wrong many times before. And they can be wrong again," he said, adding that Malaysia had so far managed its economy well.

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

He was speaking at the American International Assurance 50th anniversary dinner and launching of its 50th anniversary logo at the Shangri-La Hotel.

Among those present were American International Group chairman Maurice R. Greenberg and AIA's senior vice-president and general manager Edward Bush. AIA is a member company of AIG, one of the biggest insurance underwriters in the United States. It operates in 130 countries and jurisdictions.

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

He said the activities of currency traders and stock market raiders had destroyed economies which were once described as miracle economies due to their high growth and wealth creation.

"The allegation is that the growth was unhealthy, based on bad practices and should be destroyed in order to enable a clean-up to take place.

"Phoenix, it seems, would rise from the ashes," he said, adding that whatever profits made by the currency traders and market raiders were considered incidental.

Dr Mahathir said Malaysia was not taken in by these destructive do-gooders.

"We recognise them for what they are. We know that they are powerful and they are backed by even more powerful forces.

"We know that behind all this is pure greed that cares nothing for the well-being of others," he said.

But Malaysia, he said, believed that in the process of destroying others, they would do the same to themselves.

"When business people care nothing for their clients, when they destroy their clients, they must eventually lose their source of income. It is a simple fact that the destruction of your market will destroy you," he said.

He added that the effect of the destruction was being seen today.

Dr Mahathir also said Malaysia would need more time to deal with globalisation and liberalisation if multinational mergers and acquisitions that came with them were heading towards world invasion, monopolies and economic hegemony.

"If they are and it looks as if they are, 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 said.

Dr Mahathir said Malaysia welcomed globalisation, deregulation, liberalisation and borderlessness, but it had to get a clearer picture of what they were all about.

He added that Malaysia should not be accused of cronyism if it tried to protect its people from these predatory giants.

"It is our right to defend ourselves and our independence. We did not fight for independence only to be Dr Mahathir said at the moment, Malaysia was not ready to handle the problems that globalisation might create.

"We have had a foretaste of globalisation when capital was pulled out from our country and our currency was devalued.

"We did not anticipate that and we were therefore unprepared to deal with these abuses of the free flow of capital," he said.

Dr Mahathir added, however, that Malaysia was fortunate in being able to contain these activities eventually.

He said at the moment preparations were being made by the rich in order to take advantage of globalisation.

"Huge banks, industries and utilities are being formed through mergers and acquisition. Each one of these is bigger than most of the developing countries.

"Each can literally swallow up these countries. There is no doubt that their intention is to monopolise the field that they are in," he said.

Dr Mahathir said at the moment, the trend could still be fought.

"Globalisation can be good if regulated, just as capital flows can be good if regulated. We should welcome globalisation, but we must ensure that it will not be open to abuses," he said.

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