

04/06/1999

PM: Reform to recover from crisis

Syed Nadzri in Tokyo

REFORM, re-invent or you may not recover from the regional economic crisis.

This was Prime Minister Datuk Seri Dr Mahathir Mohamad's advice to Asian nations at the International Conference on the Future of Asia organised by Nikkei yesterday.

"In the days ahead, we must continue - let me stress continue - with the needed reformation and re-invention of our economies and every critical aspect of our societies.

"This is what we have done for over a generation...and this is something we must do over the coming hundred years," he said.

Each time Dr Mahathir used the word "reform", there were smiles and murmurs among some in the audience. These were probably people familiar with a different kind of change as advocated by "reformasi" movements in Indonesia and Malaysia.

The two-day conference, focusing on Asia's road to economic recovery, is being attended by 350 high-ranking government officials and business leaders in the region.

Apart from Dr Mahathir, those invited to speak included Philippine president Joseph Estrada, Indonesian Foreign Minister Ali Alatas and Singapore Senior Minister Lee Kuan Yew.

In a philosophical speech, Dr Mahathir said the international monetary system needed to be reformed - "reform going beyond nice words and pious articulations about global architecture".

"It is interesting to note how many latter-day Neros preferred to fiddle even as East Asia was burning."

Reform is one of three things Asia must pursue to ensure sustained economic growth. The other two are to build on one's strengths and to be practical. He said Asia must adopt their best practices and root out inferior and unproductive habits.

"But I am asserting as strongly as I know how that we would be insane to get rid of those strengths of the past which will continue to be our great strengths in the future," he added.

On being practical, Dr Mahathir said it means doing what works and abandoning quickly what does not.

"As one of the great leaders of the century said: 'it does not matter whether the cat is black or white, so long as it catches mice.'"

He said Malaysia tried almost everything in the face of the economic crisis which hit East Asia from July 2, 1997 leading to the measures introduced on Sept 1 last year and, for a spell, outlawing foreigners to export the proceeds from their equity investment.

"I do not want to recommend selective currency controls to anyone. But I do indeed wish to stress the necessity for cold-blooded pragmatism for everyone, in all parts of the world, under any circumstance."

Dr Mahathir underlined the responsibility to be shouldered by the younger generation who will carry Asia into the next millennium.

"The young of today, the builders of tomorrow, must not be corrupted by the corruption of powerlessness. Be fully empowered. Go forth. Build. Create a new and better world than we, of the older generation, have been able to build," he said.

In the question-and-answer session that followed, Dr Mahathir said there should be a rethink on globalisation if it means only things like cross-

border flight of short-term capital.

"What about movement of people?" he asked. There are billions of jobless people in Asia, "so why not allow them to migrate to Western countries. But apparently, they say this is not globalisation."

On the integration of countries according to continental blocs, the Prime Minister said it was unfortunate that, unlike Europe and the Americas, Asia was not allowed to come together under a grouping like the East Asia Economic Caucus he had mooted.

"Apparently what is good for one is not good for the other," he quipped.

He also touched on the need for the United States, China and Japan to collaborate. In order to do this, he noted, these countries should look towards the future instead of harping on the past.

"We have fought wars in the past. But we shouldn't be like the Serbs who still remember their fight with the Turks 500 years ago. Forget the past and learn from it."

Dr Mahathir ended his six-day visit to Japan by calling on Japanese Prime Minister Keizo Obuchi. He returns to Kuala Lumpur today.

Reuters adds that other top Asian officials gathered here for the conference similarly urged closer ties to avert financial crises and speed regional recovery.

"We hope to benefit from the synergy derived from the common endeavours of all Asean countries, including Indonesia, to make Southeast Asia an integrated free trade and investment area that offers economies of scale, plus bold incentives, that should prove attractive to investors and trading partners," said Indonesian Foreign Minister Ali Alatas.

He added that the creation of a regional "early warning system" to monitor economic data and financial flows was especially vital.

That view was echoed by South Korea, which also urged the creation of emergency credit lines for countries heading towards crisis and a consensus to prevent competitive currency devaluations and trade protectionism.

"Equally important is to discuss safeguards against short-term capital movements that are fuelled by highly leveraged institutions," Lee Hun-jai, head of South Korea's Financial Supervisory Commission said.

Lee claimed Western authorities could have done a better job of monitoring what their financial institutions were doing in East Asia before the crisis erupted.

"To the extent that the differences in the system and culture were accountable for the spread of financial crisis throughout the region, one could make a strong case for regional cooperation to prevent future crises," Lee said.

Philippine President Joseph Estrada, meanwhile, urged the region to move towards crafting its own common currency.

"Given the growing and extensive economic relations among East Asian countries, the idea of a common East Asian currency should no longer seem far fetched," Estrada said. "If the European Union can have its euro, why should East Asia not consider a similar economic undertaking?"

The idea of an Asian common currency has been floated in the past, but experts see huge hurdles to the sort of regional fiscal and monetary policy coordination needed to make a single currency work.

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