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PM: Asia will recover completely, may even be stronger in 10 years

Hardev Kaur in Tokyo

PRIME Minister Datuk Seri Dr Mahathir Mohamad says Asian economic recovery will be complete in five to 10 years and it (the region's economy) may even end up be stronger than before the crisis.

"We may be able to catch up with Europe and America, if countries in the region learn lessons from the past," he said in reply to a question at the Nikkei Conference on The Future of Asia.

Specifically on Malaysia, he was asked whether the recovery was due to the strong Malaysian economic fundamentals or the imposition of the selective capital controls.

Dr Mahathir replied that the selective exchange controls and the fixed exchange rate turned around sentiments and stopped manipulation of the exchange rate by currency traders and enabled the Malaysian economy to recover.

"It is too much of a coincidence to say that it was something that just happened. We don't think it just happened," he said.

He explained that when Malaysia imposed selective capital controls and fixed the exchange rate, currency traders were frightened that other countries in the region might follow Malaysia's policies.

They stopped manipulating or speculating and as a result, other currencies also stabilised at about the time that Malaysia stabilised its exchange rate.

Then there was also the fear that other countries might follow Malaysia and coupled with lessons from the debacle of the US-based Long Term Capital Management, this led many to question the damaging role of hedge funds.

The LTCM failure was a lesson to many. Many realised that hedge funds and speculators not only damaged small countries like Malaysia but could actually damage the economies of developed countries.

Dr Mahathir reminded the audience that many people talked of the strong fundamentals of the Malaysian economy today.

But in 1998, everyone said that Malaysia was a bad place where the people were corrupt and practicing cronyism.

An Indonesian journalist asked the Prime Minister whether Malaysia's controls would be suitable for his country. He prefaced his question by saying that a survey of Indonesians showed that 70 per cent of the respondents would like to see a similar policy implemented.

Dr Mahathir replied: "I dare not say that it will work for every country. I believe the situation in Indonesia is different from that in Malaysia with regard to control over the receipts of sale of anything that is produced in the country."

In Malaysia, all proceeds from the sale of goods abroad is brought back in foreign currency and deposited with the central bank.

In the case of Indonesia, it is understood that the receipts may not come back to Indonesia but instead go to a third country, which means that Indonesia will not be able to accumulate reserves.

Dr Mahathir also urged Japan to assert itself as the region needed its ideas and leadership.

The strategy adopted by Japan had enabled poor countries to buy goods at cheaper and affordable prices. But if Japan had adopted the western business philosophy, which is to make as much margin as possible and not care for the market share, poor countries would not be able to afford the

goods.

"We are thankful that Japan adopted its own strategy. It has done us a great deal of good."

Replying to a question by a member of the Nagoya Junior Chamber of Commerce, Dr Mahathir said that there was a time when Japan exerted itself and landed itself in war which it lost. And since then, it became extremely cautious.

"In fact Japan has taken the view that it must never exert itself because of that one mistake some 50 years ago.

"We all make mistakes. Just like anyone else, Japan can be right sometimes and wrong sometimes."

After the war, Asian countries recovered strongly, he pointed out.

"We must be doing something right. We cannot be doing everything wrong and yet grow at such a rapid rate. Asian countries were even referred to as "Asian Tigers".

"But now we are told that everything we did was wrong. And a lot of us take that view just because others said we were wrong. I don't think we were wrong. If we were wrong, we would never have grown."

Dr Mahathir stressed that Japan was not wrong in its adoption of a growth strategy, as it had benefited not only Japan but the whole of East Asia and indeed the rest of the world.

"I do hope that Japan will not think of itself as a country that was wrong in the last war and therefore must pay the price forever and ever."

He said he had been cited for saying quite openly that Japanese Prime Ministers need not apologise for what happened 50 years ago.

"I don't see the Germans doing this, I do not see the Italians doing this. I wonder why Japan still sees the need of doing this.

"You are not wrong today. You may have been wrong before. So if you are not wrong today please assert yourself because we need some assertion of ideas by Japan."

In reply to another question Dr Mahathir said Singaporean companies could always invest in Malaysia.

He told participants that when Singapore Telecommunications Ltd failed to buy a stake in Hong Kong's Cable & Wireless, no one said this was because there was "bad blood between Hong Kong and Singapore".

But when it failed in its efforts to invest in Malaysia's Time dotCom Bhd "they assume it must be bad blood".

On the other hand, Dr Mahathir pointed out that Singaporeans were among the biggest foreign investors in Malaysia.

The Prime Minister later visited the Mitsubishi Motors Corporation showroom in Tokyo.

Earlier in the day, Dr Mahathir, together with other Asean leaders held discussions with the Japanese Prime Minister Yoshiro Mori.

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