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`East Asia not ready for FTZ'

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EAST Asia is not ready to be transformed into a free trade zone due to economic disparity among countries in the region, Datuk Seri Dr Mahathir Mohamad said.

Unlike Europe with its almost homogeneous economy, the Prime Minister said countries in the East Asian region were not on par with each other economically.

"Here we have Japan which is the second biggest economy in the world, and on the other end, we have Laos and Myanmar with their small per capita income.

"No, I don't think we are ready yet," he said in a dialogue with German businessmen and leaders of the business community here on Tuesday.

The Prime Minister, who is on a three-day official visit to Germany, was asked on the possibility of Asean and its three trading partners - Japan, South Korea and China - be turned into a free trade zone.

Dr Mahathir said Asean would approach the matter very cautiously as "any sudden changes or moves tend to be disruptive".

In jest, he said Asean would keep a close watch on Europe's performance.

"If you are to fall flat on your faces, then there won't be any free trade zone for us," he said to laughter from the audience.

A participant asked Dr Mahathir whether he was confident his proposal that rich nations be taxed would be accepted.

Turning the tables, he asked: "Do you expect poor countries to accept proposals from developed nations?"

Naturally, poor countries would not want to accept proposals from the West that would not benefit them, he said, adding that they had seen how globalisation and attacks against their currencies had destroyed their economies.

Dr Mahathir said it was time that the views of the developing nations be considered instead of just forcing them to accept things.

The Prime Minister was also asked on the future of the ringgit since the move to peg it to the greenback has been proven successful in helping restore the economy.

"When Argentina pegged the peso to the dollar, nobody said anything. But when we pegged the ringgit, all kinds of dire predictions were made of the collapse of our economy.

"But as you can see, Argentina today is facing many difficulties whereas in the case of Malaysia, people are rushing to lend us money. Our recent bond issue was over-subscribed by 3 1/2 times and some of those who subscribed it are the same people who had earlier condemned our move."

Dr Mahathir said although the pegging of the ringgit had proven to be a wise move, it was not the sole factor that helped Malaysia recover.

"To say that Malaysia recovered solely because of the pegging of the ringgit is not entirely the whole story. It is due to many other measures planned and carried out by the Government."

Among these were the one-year moratorium on the repatriation of profits from portfolio investments, the high savings available locally and the establishment of a management crisis team to analyse economic performance and problems, and proposing the solutions.

"Many things need to be done. There is no one single move that will stop the economic problems of a country.

"(For example), we need more than just lowering the interest rates and

hoping that everything will be solved."

Dr Mahathir was also asked on the effect of China's entry into the World Trade Organisation on Malaysia and Asean.

The Prime Minister said many people thought the republic would pose a threat in all aspects of trade, but it was not the case.

"It poses many challenges but it also provides us with a new market of 1.3 billion people."

He said the country also had its own weaknesses and areas where it was still lagging behind other countries like Malaysia.

"We have to think of things that we can do that China can't, for instance producing paper. China uses more paper that it can produce... this is one area where we may go into."

Dr Mahathir said Malaysia and other countries also have an advantage over China in the knowledge-based sector.

"Over time, the Chinese will eventually have the same capability but in the meantime, we have a head-start."

Dr Mahathir reckoned wages would eventually increase in China as the country became more prosperous.

Citing Japan, which started to relocate its factories to countries like Malaysia after it became too costly to manufacture things there, the Prime Minister said China would face the same situation.

To another question on Malaysia's ability to provide adequate knowledge workers, Dr Mahathir said various measures had been carried out to ensure this was achieved.

He said the Government established a multimedia university and encouraged other institutions of higher learning to give emphasis on courses related to information technology.

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