

Courage, skill needed for recovery in Asia

FOR several hundred years, Asia was a continent without a future. There are many now who believe that we have seen the return of history, that Asia has once again become a continent with no future.

The sun has set. The dragons have been slain. The tigers have become extinct. We are all finished. They could be right.

They will without doubt be proven right if we in Asia cannot now summon the enormous will and the profound creativity to reform, to rebuild, to recover and to once again be fully revitalised.

If we fail to get all our people, all our corporations, organisations and institutions to respond adequately and heroically to the present crisis, we will go further downhill very very fast. It will be the end of our hopes and aspirations, the end of East Asia's rush to keep our rendezvous with our rightful place in the family of nations.

But what is now to be done, if we are to keep our appointment with history? There are today many experts and organisations dispensing quick fixes, the economics equivalent of magic potions, that can quickly take us on the road to salvation.

Everyone knows about the tablets of stone descended from Mount Liberalism, the theology of free market extremism. We are told that everything will be fine so long as we liberalise, liberalise and liberalise our economies.

Some are even specific: All would be fine if only we allow international capital complete freedom to do whatever it wishes, constrained only by the hand

Some are even more tightly focused. With laser-like precision, they say that everything would be solved, a new tomorrow would dawn, if only we allowed foreign financiers to buy up our financial sector — especially our banks — to their heart's content.

I believe that the road to our salvation does not lie in line with a simple theology. We must be completely pragmatic, proceeding with a policy only if it yields the desired results. It does not matter if the cat is black or white. We must only make sure that it is wonderful at catching the mice.

What is required is not a single step but a hundred steps.

The road to our recovery does not lie in a single plan for all our economies. One shoe does not fit all. I believe that for policies and actions to work, they must fit the specific needs, the specific conditions, the specific circumstances.

Just as there was no single East Asian model for success before the Crash of 97, there is no single East Asian model for success after this event. As in the past, while we can and must learn from each other's experiences, we will all have to devise our own individual winning formulae.

However, in order for these various formulae to do the trick, I suspect that they must have at least the following characteristics.

First, our massive recovery efforts must have a

comprehensive perspective. We cannot afford to neglect political stability, social tranquility and cohesion.

Unfortunately, there is now too much advice from financial experts who do not seem to be too aware that there is a world out there that goes beyond money and finance who, therefore, do not even take the broader economic picture into their reckoning, still less the wider political and social ramifications.

If we neglect political stability, social tranquility and cohesion, we do so only at our grave peril.

Second, while we must have a comprehensive perspective, we must ensure a clear and productive order of priorities. This is what strategic thinking is all about.

Clearly, doing everything humanly possible in order to ensure that foreign bankers are paid does not automatically seem to be a productive or sensible top-most priority, except in exceptional circumstances.

In passing, it is interesting how many experts tell us that if we save or bail out the local or domestic banks from the folly of their past loans, we would only be creating a most dangerous moral hazard which would seriously damage the present and future health of our financial and economic systems.

Nevertheless, it is essential that the foreign banks be fully paid. This is obviously not a bailout. The question of moral hazard,

curiously, is not something to be too unduly worried about.

Third, there is obviously the imperative of focus, a fight focus. Resources are always limited. Finite. There is a need to concentrate them on achieving the most critical objectives. A strategic plan that focuses on a hundred objectives is not a strategic plan. It shows a singular lack of strategy. Although many things are very important, a few things, a surprisingly few strategic things in fact, are absolutely (for want of a better word) "strategic".

They are the keys that will unlock a hundred doors. We must all make sure that we concentrate our limited time and resources on finding and turning these few keys.

Fourth, there is a need for balance, especially between the demands of social development and welfare, political stability and cohesion and economic and financial objectives. There is also a need to balance, especially between the short-term imperatives and the longer-term imperatives.

Fifth, I believe that we must not be blinkered. We must closely examine all the sacred cows. In the present circumstances, we must have the courage and the creativity to be, more than ever, determinedly pragmatic.

Sixth, I believe that if we are to rapidly recover and restore sustained and dynamic growth, fierce competitiveness and economic resilience, there is a need for a total national effort. The entire nation must be united. More, the entire nation must be fully mobilised, working as one organic whole, united behind a single purpose. This is where the societies of East

MAINICHI Daily News

Asia have a comparative advantage.

Many have argued that the Japanese people have not yet woken up to the fact that their economy is in a state of crisis, that a massive national effort will be needed if Japan is to once again be the dynamic powerhouse of East Asia.

This cannot be said for the Malaysian nation. Malaysians know we are in deep crisis. We know we have to reform, to rebuild, if we are to recover and once again be fully revitalised.

Since we went against economic orthodoxy and introduced selective currency controls on Sept 1, last year, the Malaysian economy has retreated from the brink of utter disaster.

We have been able to reduce interest rates. So now our companies can start breathing again, and investing again. We have ensured liquidity, so that the engine of growth can now start purring again.

Since Sept 1, the Kuala Lumpur Stock Exchange has been the number one performer in the world, more than doubling in price.

It is still too early to say that Malaysia is well on the road to recovery or that East Asia will recover. But it is clear that most of us are on the mend.

I believe that almost all of us will find our way back to the road of dynamic growth to resume our interrupted growth run.

NB: The Mainichi Daily News carried the first instalment of a monthly column by Prime Minister Datuk Seri Dr Mahathir Mohamad yesterday. Future instalments of World Analysis will appear in the newspaper at the beginning of each month.

Dr. Mahathir's World Analysis