

Tackling problems methodically

**Dr. Mahathir's
World Analysis**

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By Dr Mahathir Mohamad

I AM much saddened by what has happened to Mr Obuchi. I think of him as a good friend of Malaysia and also personally. He has succeeded in steering Japan through difficult times more than was expected of him by most people when he was appointed Prime Minister.

He has always been able to use his advisers well and that is an essential quality of a good leader. I regret very much that he is not going to be able to represent Japan at the G-8 in Okinawa.

I am sure he would be very supportive of Asean and the other countries of the South.

I attended the G77 Summit in Havana, Cuba, in April. Ideologies are no longer important to these countries. They all want their nations to be more prosperous. All the figures show that over the years, the world's developing nations have been getting poorer.

Commodity prices have gone down and more commodities have to be sold by them to buy the same amount of manufactured goods. The goods that they want have risen in price higher and faster than the rise in price of their commodities.

I always believe that if you enrich people, you will become richer yourself. For example, when Japan invests in Malaysia, we became more prosperous and we buy more from Japan thus further enriching Japan. When you impoverish people you destroy your markets.

During the G77 meeting of the "South" countries in Cuba, I proposed that the reso-

lutions be transmitted to the G7 as well as the decision that the G77 would not consider any decision by the G7 if the views of the south are not taken into consideration.

There was no suggestion that a representative of the G77 should sit in the deliberations of the G7. Some people think that I must be working under tremendous stress. Obviously running any country imposes a lot of stress. Some people can handle stress better than others.

I think I have an average capacity to work under stress. That it affects me is shown by the heart attack I had in 1989,

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when I had to be operated on. However I was told that I should not make any decision about retirement immediately after the operation because I was under some post-operative stress.

I am glad I made no decision about retirement at that time. Now I feel capable of carrying on and I do not really feel too much under tension. I have always been able to relax and find sleeping easy. While flying or while being driven to any destination I would doze off and this helps me to recover my strength, both physical and mental.

I always snatch a short sleep after lunch while sitting in a comfortable chair. When currency controls were introduced in September 1998, and then the former Deputy Prime Minister was removed and charged in court, I naturally experienced a lot of tension. But the election proved that the majority of the people are still with the Government.

Although I was convinced that we were right about the controls, there was still a possibility of failure. If we failed, it would damage the whole country and the people. But it turned out that we were right.

On many occasions we have to make radical decisions, and we have been proven to be right. You have to be convinced that you are right before you can make a decision. The tension would not be as great as when you are not certain that you are right. However I feel quite relaxed most of the time. Like everyone else I do get sick but nothing so serious as to force me to retire.

I am able to tackle problems methodically partly because of my medical training. When you encounter some problem, firstly you have to debate within yourself and see how things went wrong. Then, you have to discuss it with others.

You have to examine every aspect of the problem. You have to select a group of people who are not afraid to criticise your ideas. In the case of Malaysia's currency crisis, we set up a Council — which we called the National Economic Action Council.

The executive committee of this Council met every morning, and discussed the current situation in detail. We argued about how to tackle the problems. Currency controls was my second idea. My first idea which was rejected was to increase the income of everybody and raise the prices of everything in order to neutralise the devaluation.

If the value of the currency fell by 100 per cent in terms of exchange rate then we raise income by 100 per cent. This would result in the purchasing power remaining the same.

But such action has a lot of side-effects. While it will help people's ability to buy imports, inflation may become uncontrollable. There are so many things that we cannot predict. My colleagues shot down the plan. So I had to think of other ideas.

We studied currency management in China, Chile, and some other countries. The Malaysian Ringgit had been made freely convertible, which means that currency traders can buy or borrow it freely and indulge in speculation.

The result is fluctuations in the exchange rate. A fixed rate can only be made if the currency cannot be traded. Since our exchange rate controls we have discovered that apart from China, Argentina and the Caribbean countries have fixed exchange rates; the Caribbean for almost 25 years.

We wonder why they are not as viciously attacked as we are for controlling our exchange rate. In Malaysia, we have been prudent in the management of our finance. We did not borrow too much. We did not use our foreign reserves to defend our currency.

We also have lots of liquidity within the system, although at one time money was being siphoned to Singapore. But when we announced that all ringgit not repatriated within one month will not be allowed into the country at all, the money came back, since the money would be useless outside.

There are many things that have to be done to tackle economic problems, not just fixing exchange rates. As a Prime Minister one must think of solutions. Others will also think of possible solutions and come up with ideas. If they come up with a good idea, one must be prepared to consider it.

Simply because it isn't one's idea doesn't mean that it is wrong. The only way to suc-

ceed is to be able to recognise ideas that are good. If as the Prime Minister I make the wrong evaluation, and the ideas turn out to be bad it will be my responsibility. The ability to evaluate things, and come up with new ideas on your own is very important for leaders.

A leader has to be willing to face criticism and do everything that he can to overcome problems. He has to care about the criticism. If it has a basis, it should be examined. But sometimes, people criticise just because they don't like you.

Then, you have to reject such criticism. You cannot be popular all the time. Being criticised is part of the life of a leader. As a leader you are given responsibility by the people. I don't want to leave my office and hand over a country that is in a bad shape. When we want to develop a country we must accept the need to make sacrifices. A nation has to sacrifice a little bit of its environmental quality in order to grow.

Pollution is basically due to poverty. If

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you are poor, you do only those things that you can afford. If you want to clear a piece of land, the cheapest way is to burn the forest. There will be smoke and dust but poor people have to put up with this.

It is the rich who complain. When they are inconvenienced they don't think of the problems of the poor. So, the solution to the environmental problem is actually to enrich the people. In order to enrich the poor people, you must be prepared to buy their products at a high price.

If they earn enough it will be easy for the Government to control the trees that they cut. But if their timber is boycotted then they will burn the forests in order to grow other crops. Then there will be pollution and the forests will disappear.

Rich countries must not make the poor countries poorer. If you do they will not be able to look after the environment. Regarding poor countries as the carbon sink of the rich is not the fairest thing to do. It is like asking poor people to remain poor so the rich can enjoy life.

Environmentalists will criticise timber logging companies for making money and being responsible for depleting forest reserves. But they also create employment and pay wages to people who otherwise would have no income.

If you force the companies to close down, then they will burn the forest to grow other crops. You will lose timber, you will have pollution, you will lose the carbon sinks.

Rich countries do not even think of these things. Fortunately for Malaysia, we have other sources of income. Our people are fully employed, we don't have to burn our forests.

But in poorer countries, when timber has no value and they want to produce other crops, they burn their forests because that is the easiest way to clear them. Neighbours then have to suffer from haze.

In the long term, the way to avoid this is to enrich the poor. The least that the world community can do is to buy the products of poor countries at higher prices. They can buy processed timber and value-added timber, so that people can become richer.

Otherwise they will pollute. The cause of the spread of Japanese encephalitis in Malaysia has not been fully determined. Some people suggest that it may be due to destruction of the forests. But the disease is

more prevalent in areas where there have been no forests. It is fashionable to blame deforestation for everything.

Asean organised the Environment Ministerial Meeting in Brunei last month, which was called the Haze Summit. We tried to discourage forest burning. But it is not easy as people are poor.

And recently due to attacks on their currencies the Southeast Asian countries are even poorer. So they will continue to burn their forests to clear the land for food crops.

I have been credited with some absurd ideas. It is worthwhile remembering that what was absurd before is commonplace today. We use vacuum cleaners to suck in dust on the floor.

I thought that the same system could be used to suck in air polluted with dust in order to filter it and expel the clean air from the opposite end. Malaysia has high humidity and it seems to me that if the clean air that is about to be expelled is passed over cooling coils it would become drier and reduce sweating and discomfort.

No giant vacuum cleaner is required. A simple ducted fan is all that is necessary. Naturally it will not clean the whole atmosphere. But located at heavily polluted street junctions it can help reduce the dust particles and humidity in the surrounding area.

Apparently the Japanese company I spoke to did not think it was a good idea. In the 21st century, technology will change the way of life of people radically. During the Industrial Revolution, the lives of people changed.

Instead of working on farms, they went to work in the towns in very bad surroundings and live in poor company houses. Now, we have new technologies, mainly communication technology, i.e. faster movement of information, people and goods. These will also change the lives of people.

If you cannot handle these changes, obviously you will not benefit from them. And poor people will be less able to handle these changes. The early industrialists in Britain produced cotton cloth cheaply, and they flooded India with it.

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Indian hand weavers went out of business. We fear that such things may happen again. But they need not. Malaysia industrialised by allowing foreign investors in. Poor countries can do this and they will gradually learn the new technology. But the foreign investors must not take everything for themselves. They must leave something for the locals and help them to grow richer.

When they are enriched they will be able to buy more from the rich, and the rich can become even richer. At this moment IT is not doing that. E-commerce companies by selling direct to the consumers in the developing countries will cut out the importers, distributors, and retailers.

The consumers may pay less but many people will lose their businesses and workers their jobs. Jobless people cannot buy cheap goods. And Governments will lose revenue. Only the Governments of the rich countries where the dot.com. exporters are located will collect capital gains and corporate taxes.

At the same time we are seeing mega-

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mergers of banks, industries and businesses. When the borders go down these huge corporations will move into the poor countries and swallow up all their companies and banks.

These huge corporations will be more efficient, will probably pay better wages. But they will dominate the small countries.

We have seen how the small banana-growing countries have become subservient to the great banana plantations owners from abroad.

Presently the lenders to the countries impoverished by the deliberate devaluation of their currencies have effectively used the IMF to dominate the countries of their clients. This is wrong.

E-commerce should benefit the poor as well as the rich. Malaysia has set up a body to study globalisation, liberalisation and the borderless world.

We think it will have serious consequences for us. That is why we are cautious. To cope we have created the Multimedia Super Corridor. There is nothing anywhere else comparable to Malaysia's Multimedia Super Corridor.

A special city will be built for it, which will have its own up-to-date telecommunication infrastructure. We have created a good environment to live in.

Many privileges will be given to those who come in and out of the country to work here. We have attracted 30 world class foreign IT companies as well as nearly 300 IT companies. A multi-media university will produce the needed knowledge workers.

We are developing Kuala Lumpur International Airport as a communications hub. At the same time we are building a new administrative city, a smart city. We are gradually moving into the new administrative city, including my office. These are our responses to the challenge of the IT world.

As with our earlier industrialisation, we opened up our country to foreign investors in IT. We hope to benefit from this strategy and eventually to learn enough about IT to use it ourselves for developing our country.

We hope foreign investors, experts and entrepreneurs will come to Malaysia to take advantage of our offer. They will gain much but we will gain too.

That is our way, to share what we have with others and to benefit from this sharing through the opportunities that we create. That should be the way for globalisation and the new regime for the world's economy and finances.

□ This is the 16th instalment of a monthly column of commentary and opinion by Prime Minister Datuk Seri Dr Mahathir Mohamad which appeared in Japan's Mainichi Daily News yesterday. The copyright for the article is held by Mainichi Daily News.