

The 5th International Conference On The Future Of Asia Organised By Nihon Keizai Shimbun

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There are times in the lives of men, as in the lives of nations, when so many things happen, so many experiences experienced, so much so that the future can never be quite the same again. Most of Asia has lived through such a time recently, and indeed even now.

2. A large number of Asians will not forget for as long as they live the sufferings, the trials and the tribulations -- that they, their families and their peoples went through in the last two years.

3. It will be difficult to forget those who have shown compassion, who have commiserated with us, who have shared our misery and our pain -- just as it is difficult to forget those who have laughed in our face. It will also be difficult to forget those who seemed to have almost relished, to have found subliminal comfort, in our discomfiture.

4. It is difficult to forget those who have been completely insensitive to our anguish and who have read to us over and over and over again -- the sacred liturgies of liberalisation, sometimes so loudly that they even drown the din of distress rising from the streets.

5. It is difficult to forget those who over and over and over again -- hit us over the head with the sacred tablets on which are inscribed the holy mantras of market opening.

6. It is difficult to forget those who insisted to us over and over again _that the road to our recovery and salvation lay simply in selling off the modest family valuables it has taken all our lives to earn; those who have insisted that we must sell, at 'fire sale prices', our homes, our factories, our banks, yes, most especially our banks. It is incredible how often ordinarily intelligent people have expected us to believe that all would be well if only we agree to sell our banks at fire-sale prices. Many of us have noticed that many of them unashamedly urge us to sell even though they were part of the throng that started and stoked the fire.

7. It is difficult for many of us in Asia to forget those who gleefully insisted that they wanted to see blood spilt as we bludgeoned our banks and companies into submission before they would believe that we were serious about reforms in the management of our economy.

8. It is difficult to forget those who stuck to their sacred incantations promising the economic nirvana if we humbly obeyed and threatening immediate and divine retribution if we failed to heed the judgement of the dieties of money and of markets, the gods who must stand above all else. Forget the human right of employment, of food for empty tables, of children going to school, of medicine for the sick or the simple, the basic human need for security in the streets, for peace in the neighbourhood and for personal freedom from violence and tumult. The

only rights which must be upheld at all cost are the right of the free market, the right of capital flows and the right to profiteer through devaluing the currencies.

9. It is certainly vitally important that Asia does not forget the mistakes that we have made in recent years. We have all been guilty of many things. Not one of us is completely innocent. All of us have made grave mistakes, some following upon the specific advice of well-known and powerful international agencies.

10. We must make sure that we never again become victims of the 'irrational exuberance' that so easily lifts our feet off the ground and that makes the wisest and most modest of us forget our bearings and our common sense. Incidentally only we in East Asia suffer from this malady. The exuberance and irrationality that drive the Index in Wall Street are different of course. However it is worth remembering the ancient Greeks who believed that those whom the gods wish to destroy they first make them mad. In modern times, perhaps those whom God wishes to destroy He first makes madly euphoric believing that what goes up will never come down.

11. When we in Asia look back on the turbulent crisis we have been through, it is also vitally important that we do not forget the friends who have stood by us in our time of need.

12. In this regard, I would like to place on record my personal appreciation and the gratitude of the Malaysian people for the helping hand that Japan extended through the Miyazawa Plan and many other steps. Japan has not been a fine-weather friend. Japan has been an invaluable friend. Japan has been a friend in time of grievous need. Many of us will never forget this for as long as we live.

13. I would like also to thank China which refused to devalue its currency even though it rendered China's products less competitive than Southeast Asian products. China's growth was affected and unemployment increased. But China was steadfast in not making matters worse for Southeast Asia.

14. It is now clear that for almost all of us, the worst is over. For almost all of us, the road to recovery has been taken and is now being firmly traveled. At the same time, it is blatantly obvious that we all still have a long way to go to ensure a resumption of the fastest growth run in human history.

15. To ensure the return of history and the resumption of this sustained growth, it is essential to accomplish three imperatives. First, we must build on our strengths. Second, we must continue to reform, transform and re-invent our societies. Third, we must set aside our presumptions and preferences and be utterly pragmatic. We must set aside our sacred cows and ensure the firmest commitment to the colourless cat, to doing what works.

16. Let me briefly outline what I mean.

17. There is a big move today to homogenise, to standardise, to uniformise, to conform and to blend with the rest.

18. In economic terms, there is a huge movement -- deliberate and non-deliberate, concerted and non-concerted -- to turn all Asian economies, all economies in fact, into Anglo-Saxon, laissez faire market economies or what is imagined to be Anglo-Saxon laissez faire market economies.

19. In political terms, there is a huge movement deliberate and non-deliberate, concerted and non-concerted to turn all Asian political systems, indeed all political systems everywhere, into Anglo-Saxon liberal democracies or what is imagined to be Anglo-Saxon liberal democracies.

20. I do not want to be detained by these issues because I believe that to a large extent it is simply a function of mega power and the rigid power structure at this time and space in world history. The world's first recorded historian, the ancient Greek Thucydides, wrote more than two thousand years ago that in the affairs of nations the strong will demand what they will and the weak must yield what they must. Perhaps one day, we including the Anglo Saxon world might all have to try to be very Swedish or Chinese or Nigerian or Brazilian. Perhaps one day we might all have to conform to the economic and political systems and preferences of the Swedes or the Chinese or the Nigerians or the Brazilians or even the Japanese because they have become the strong.

21. I do not want to be detained by this issue either because I believe that in essence the Anglo Saxons and their machines are right or nearly so. It seems clear enough to me that: * with all its faults; * with all the dangers arising from market failure; * with all the difficulties of running market systems, the development of which takes time and all too often goes through the Charles Dickens market economy phase, with all its flaws, the market system guided by the social conscience is without doubt the most fair and productive system so far devised by mankind for the production of economic goods and services. It seems very clear to me that democracy: * with all its faults; * with all the dangers arising from democratic failure; * with all the difficulties involved; and * despite the fact that good democracies invariably take time to evolve, with all these flaws, democracy is without doubt the most fair, productive and civilised system so far devised by humanity for the governance of man at least at the level of societies and nations. I notice that no-one has recently proposed that all CEOs of companies should be elected by the workers in the enterprise and almost everywhere in the liberal democratic market systems it is assumed that a small group of people or organisations called 'shareholders' or 'the majority shareholders' who normally have little to do with the daily workings of the company should rightly determine who runs the corporation; these ideas are not at all democratic, as far as I can fathom. I will not mention the United Nations where five is bigger than 180.

22. In the final analysis, if we are sensible and enlightened, we must make sure that we are all democracies practising the market system.

23. Having said all this, it is essential to state that I cannot imagine that Japan would be as comprehensively prosperous in the future and as achieving as in the past if the Japanese decide to establish within Japan's shores the market system

that is found in the United States or Australia or Great Britain. I cannot imagine Singapore being as great a success in the future as it has been in the past if Singapore were to adopt -- lock, stock and barrel -- the economic and political systems of the United States or the United Kingdom or Australia, admirable though they may be for the British, the Americans and the Australians.

24. We must surely adopt their best practices, especially those things that will do us enormous good. There are assuredly many, many things that we are and that we do that are incredibly inferior, incredibly unproductive, incredibly counter-productive. These must be rooted out. At the same time, we in Asia must retain what is good and productive.

25. I am not suggesting that our present and future competitors are deliberately trying to make us just like them in order to weaken us and to make it easier for them to compete against us as economies and as a societies. 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. It would be a mistake of historical proportions to be flabby, weak, to depart from our family values, to be undisciplined, to give up our fixation to harmony and consensus, to abandon our commitment to high savings and deferred gratification, to hard work, to depart from our almost pathological fixation on education, to abandon our belief in personal sacrifice in itself and personal sacrifice for the good of family, community and nation.

26. I am not one who believes that self-sacrifice is a ' mug' s game' . I do not believe that patriotism is a dirty word.

27. Having argued like a good conservative, let me now argue like a good radical.

28. Building on our strengths does not mean resting on our laurels or holding on to the fond features of our past or even the strengths of the past which are no longer utterly productive for our journey into the future, the new century and the new millennium.

29. 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.

30. It is something we must do over the coming hundred years.

31. Lest anyone forget, Asia today is not the Asia of 10 years ago. The Asia of today is radically different from the Asia of twenty years ago. The Asia of today is unrecognizably different from the Asia of 50 years ago. You in Japan know that you can say this of Japan. Let me assure you that you can say this not only of Japan but of all of Asia.

32. It is because we have reformed and reinvented ourselves over and over again that we have come to where we are. Quite obviously, we now have to make the next great leap, a task made the easier because of the crisis that we

have gone through.

33. Because of what we have gone through, it is clear that governments cannot stand aloof and let markets run riot. There is a great deal of magic in the market place. There is a great deal of magic in the invisible hand. But very often that 'invisible hand' works best when it is given the assistance of the 'helping hand' of enlightened governance, whether this comes from central banks, regulatory agencies or elected governments _ or all of the above.

34. There are now many who believe that the severe economic crisis that have hit the tiger and dragon economies in the last two years are entirely or largely the result of the grave weaknesses of each of these tiger and dragon economies. This simple explanation is very neat and very convenient, except that it is simply not credible.

35. It is incredible how many, especially those outside Asia, say that everything is the function of 'fundamentals'. The fact is that so much that has happened is not the result of 'fundamentals' but rather, the result of 'funnymentals', the result of funny things knocking about in the head of intelligent humans behaving like silly animals in a herd.

36. If the reason for our concerted collapses is that we were all rotten to the core, it is surprising that no-one really noticed that this was so until the currency attacks started to destroy our currencies. The hard-nosed bankers and market savvy equity investors were certainly pouring money in. The IMF, from top to bottom, was still handing out bouquets and embarrassingly wholesome praise, almost up to the time disaster struck.

37. If the causes of the mayhem were internal to the tiger and dragon economies, how was it that we all got rotten at exactly the same time? The currency attacks and collapses can be documented day by day, hour by hour. What perfect timing we in East Asia had! So perfectly synchronised, like the high-kicking chorus girls.

38. If the causes of the mayhem are our fundamentals, how is it that economies even now widely recognised as still having some of the best economic fundamentals in the world were grievously hit and the hundred other economies with clearly much worse fundamentals repose in pristine tranquillity.

39. The fact, ladies and gentlemen, is that only superman on a kryptonite-free planet would have been able to retain his strength in the face of the calamity of _97 and _98.

40. Most of you in the audience own or run companies. Let me ask you how you would be today if all of a sudden the worth of what you sell is cut in half because currencies have plummeted in value, if the weight of your foreign debt burden doubles, if because interest rates are two to three times higher, if the value of your shares goes down by up to 90 per cent, if regardless of the orders on your book, no banker is prepared to lend to you even one Yen for your production

needs.

41. Our weakness lay in the fact that while we were very strong, we were not superman in a kryptonite-free world.

42. We in Asia must work for fundamental reform of the international monetary system, 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.

43. In the face of the world' s failure to achieve this, each nation must fend for itself as best it can. And we have no choice but to re-engineer, re-form and re-invent ourselves: strengthening our strengths and weakening our weaknesses.

44. Like all nations, we all have so many weaknesses. Our people are inadequately creative, poorly trained and empowered. We must fight and destroy cronyism. We must fight and eradicate corruption. We must improve the governance of our states, even as we must improve the governance of our corporations. We must be more transparent and truthful not only to the foreign portfolio investors and foreign bankers who want us to make our world to suit their needs and desires but also to our own governments, to our own investors and bankers and to our own people. The agenda for progress and change is a very long one.

45. Let me say a few words about the third imperative: the need to be utterly pragmatic, to do what works and to abandon quickly what does not, to commit ourselves to the colourless cat. As one of the great leaders of this century said: it does not matter whether the cat is black or white, so long as it catches the mice.

46. In the face of the economic crisis which hit East Asia from July 2, 1997, we in Malaysia tried almost everything.

47. Our companies were bleeding to death. In that phase when some of us were greatly influenced by the IMF formula, we adopted the traditional remedy of bleeding the patient. Our companies were gasping for air. So we sucked the oxygen out. We raised interest rates to levels which left them in a vacuum. They were dying of thirst. So we took the water away. When expenditures and investments and consumption was falling through the floor, and despite many years of budgetary surpluses, we cut down government expenditure by more than 20 per cent.

48. The central reason why we adopted all the wrong policies was because we were told they were wrong, they weren' t the right thing to do. We were too well educated in the sacred doctrines of ensuring the freest possible capital flows. We were captives of our own economic orthodoxy, the orthodoxy that had resulted in Malaysia having one of the freest currency regimes in the world, more free even than that of the United States on August 31, 1998.

49. On September 1, 1998, we put rationality and pragmatism back in command. We jettisoned the sacred texts and our own stern economic orthodoxy. We de-

internationalised our currency, placing it out of reach of the currency traders. We fixed our Ringgit at 3.80 to the dollar. And we made it illegal for foreigners to export the proceeds from their equity investment before September 1, 1999. As you know, this third provision has now been lifted.

50. For months after September 1, 1997, we were of course roundly condemned by all the custodians of economic correctness. On the front pages of famous news magazines, we were said to have turned our back on the world, to have cut ourselves off from the rest of the world. We were said to be closing down the free market system, when all we did was close down the speculative and wildly volatile market in the Malaysian Ringgit.

51. The closing down of the speculative market in Malaysian ringgit allowed us to do all the things that needed to be done, that were not possible before. It allowed us to drastically cut interest rates. The banks were strongly encouraged to resume lending. We opted for an expansionary fiscal policy.

52. So far, the utter pragmatism of September 1, 1998 has yielded dramatic results. In August last year, there was a doom and despair mood amongst the business community. There is now every hope and great expectations.

53. The Malaysian Government has held to its forecast of one percent growth for this year. Salomon Smith Barney says that it will be more than one per cent. Morgan Stanley Dean Witter, Merrill Lynch and Goldman Sachs say growth will go to two per cent. SG Securities says it will be 2.5 per cent. Credit Suisse First Boston and the IIF says Malaysia will grow by three per cent in 1999.

54. I do not wish to argue that selective currency controls such as those introduced by Malaysia in September last year is for all economies, or that it is good for normal times. There are conditions under which success is more likely, and conditions under which currency controls even as selective as those of Malaysia could be disastrous. Some World Bank experts have informed us that we are the first case they have come across of a country which is trying merely to stabilise the currency and is prepared to sustain an undervalued currency even in a situation of massive trade surpluses and current account surpluses. Most currency control regimes are attempts to sustain an unsustainable over-valued currency. Malaysia's decision to stabilise a clearly undervalued currency ensures capital flight does not take place, ensures that there is no black market in Malaysian currency anywhere in the world. Far from seeing a massive outflow -- there has been substantial capital inflow.

55. I do not want to recommend selective currency control 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.

56. I have spoken a great deal about the present. Let me say a few words about the future and the new millennium.

57. As you know, one thousand years ago, as mankind moved towards the second millennium, the then so-called 'known' and 'civilised world' _i.e. Europe

was apparently in the grips of despair. The then custodians of the correct, the then champions of orthodoxy, the then keeper of the truths; the learned Christian clerics -- and therefore, the people of Europe, were convinced that exactly one thousand years after the birth of Jesus Christ the world would come to an end.

58. Doomsday was at hand; commerce and industry therefore had almost come to a halt. Human enterprise and endeavour wound down. Many lived in abject fear of the days to come.

59. What was the point of working, or planning, or even plotting for the future if the world was coming to an end? As the second millennium approached, all that was to be done was to prepare for the apocalypse.

60. Today, as we approach the third millennium, many people have written Asia off. For many years now, so many have characterised Japan as being not quite dead but not quite alive. Only very recently, the rest of us have been consigned to the dustbin of history.

61. As my remarks suggest, if many people in Asia have feared for their future, they have been no less than wise. If we now continue to have doubts, this is a welcome source of strength. But now is the time for hope. And for heroic effort.

62. We must hope for a better and even more prosperous Asia. We must hope for a better and more prosperous world. Instead of preparing ourselves for doomsday; we must prepare ourselves fully for the making of a global boomday.

63. In the new millennium, we must hope and work diligently and with determination for a new beginning not just for Asia but for the world. This must be a task not only for Asia but also for Europe, for the Americas and for Africa; it is a job for all the colours and creeds of mankind, from every core and corner of mankind. We must together build, for the first time in world history, a single global commonwealth of common wealth and co-prosperity, where the full dignity of all the children of Adam will be catered for and nourished, where all will enjoy the fruits of justice and the bounty of our bounteous planet.

64. I have mentioned the children of Adam. Let me be more literal. Let me end my remarks with a few words on the young on whose shoulders will lie the duty of ensuring a new beginning for mankind in the new century.

65. I hope that the young of Asia will be able to throw off the excess and heavy baggage of history which will only be a drag on their journey. The youths of the 21st century must think of themselves as true citizens of the world.

66. They must forget colour and creed; notions of superiority and inferiority. They must think of equality not in terms of material wealth alone but also in terms of mutual respect and mutual regard.

67. The borderless world in which they will live must not be borderless only in terms of information and capital flows and in terms of the physical world. I

believe that it must also be borderless in the true sense -- in terms of the frontiers we erect in our mind.

68. Individuals must be judged fully and completely judged -- in terms of the size of their contribution and the content of their character rather than in terms of the shape of their eyes, the colour of their skin, the width of their wallet or the cudgel in their hands.

69. Let me also implore the youth of today who must build the future of tomorrow to make sure that there will be no clash of civilisations; let me implore them to be wedded to the ideal of ensuring not a clash of civilisations but a celebration of civilisations, where all of mankind shall be invited to sup at the sumptuous table -- the incredible smogarsbord -- of human diversity; where all will be allowed to feast as they choose and to selectively imbibe what they think best and what best suits their palate.

70. The youths of the 21st century must fully understand that the world is round. No country is truly East or West -- except only in relation to each other. They must regard the whole planet as their earth, a single country, the object of their ultimate loyalty.

71. National traditions and cultures they must retain. But all traditions and cultures are of equal importance, of equal worth, worthy of being respected by all in the common, single community of mankind.

72. As you will have noticed, I am no longer young. I suspect that most in this conference are similarly no longer young however young at heart we think we are. Let me invite all of you to reflect on what we have seen within our own lifetimes. What wondrous things have happened.

73. I grew up in a world where so many of the young from Asia learned about liberty and freedom and democracy in the citadels of civilisation: in London and Paris and Amsterdam; only to return home to lands which remained subjugated and colonised. We heard about liberte. We heard about egalite. We heard about fraternite. But we knew mostly about colonial imperialism; authoritarian dictatorship and total subjugation. Therefore we yearned for freedom, for most of us were figuratively in chains.

74. So many things were ' impossible' . Impossible certainly for those of us who were clearly ' inferior' , ' inadequate' , ' uncivilised' . The world I grew up in was a world of very, very limited possibilities. I was fortunate in being inadequately schooled as to what I must not aspire to for my self and for my people. I was fortunate in being inadequately aware of the limits of my ability, of my capability.

75. Not knowing just how short was my arm, I was not aware of the places I could not reach.

76. 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.

77. The twenty-first century and a new millennium awaits you.