

25/09/1998

Pioneers of a new economic era

Tan Sri Ghazali Shafie

LOOKING at Malaysia and its people today, we seem uncertain as to the direction we ought to take. It seems to me that this is the best time to make a decision on whether or not to continue with the dominant theories and thinking of the 1960s, 1970s and the 1980s.

These theories and ideas are still current and greatly utilised even in advanced industrialised countries.

The other, more frightening and challenging option would be to plunge into a futuristic mindset which will enable the country to successfully navigate a path to 2020.

The US and Japan, in attempting to solve their respective economic and political problems have tried the old ways and have not met with much in the way of success.

The world is now ready for a new way of thinking. If the proposal for a new mindset appears to be somewhat far-fetched, it is only because the local media and commentators have not as yet realised that all this volatility in politics and the foreign exchange markets is the result of a paradigm shift or a move forward through a period of transition.

Great periods of change in history have always been filled with uncertainty and the movement itself is generally crisis-prone. Although the signs of such change usually loom large, nobody ever seems to want to recognise these signs or take responsibility for managing the imminent crisis either before or when it actually arrives.

Our own arrogance always gave us the impression that we were not like other countries, such as Mexico or Japan, which had suffered tremendous setbacks in the past. We boasted of our country's strong economic fundamentals and claimed that they were as solid as a rock. In fact, in the face of dramatic change, such things are quite irrelevant.

I have said it before and I shall say yet again that the word "Free" is more often than not associated with crisis and the current free-market system is extremely crisis-prone. It would not be possible to manage a crisis successfully if we still root our plans of action in the context of the dominant patterns of yesterday.

It was in the 1980s in Austria or it may have been somewhere else, I cannot now recall precisely when I said rather loudly and publicly that the international currency system had to be looked at seriously by all the countries in the world since money had now become a commodity to be bought and sold.

By the beginning of the 1960s, the world's major currencies had become convertible and it was during that period that Japan was accepted as a member by the Organisation for Economic Cooperation and Development and by the same token Japan had come of age as an industrialised country in its own right - a status the nation had yearned for even before the Pacific War.

Japan will no longer be able to reach those heights of greatness in its industrial pursuits if the creation of its fundamental imitative or innovative products are no longer possible due to a number of hurdles or even curbs.

The global financial regime should be confined to currencies which are only ushered in or out in respect of the sale and purchase of stocks. Real "investments" for production purposes should continue to be liberally rewarded with incentives.

The industrialised countries, during the Uruguay Rounds, were vehemently trying to negotiate a multilateral agreement which would structure a global regime with the aim of liberalising foreign investments.

After the looting of East Asia's painfully built economies and standards of living, we are now in a position to clearly understand why the economic liberalisation of Asia was so very important to the West. Now, the rich, industrialised vandals will easily be able to pick up Asia's companies at greatly reduced prices.

We can expect to experience more of the same as a result of our liberalisation programme and the mobility of our currency. With the current foreign exchange controls in place, the raids can still occur but it will be more problematic for the vandals to move their loot abroad.

Datuk Seri Dr Mahathir Mohamad's recent proposal in London about the urgent need to look at the inherent problems of the global currency system is extremely relevant and the advanced countries had no other choice but to pay attention.

Even Mr George Soros, the global fund manager and currency speculator who had made uncalled-for remarks about Dr Mahathir being a menace to Malaysia, was unable to disagree.

Malaysia has generally chosen to go with the flow of world opinion, particularly that of the US, lest it be branded as the odd ball and as being anti-West. It must be remembered however, that when the currency market began to wobble, the Treasury in tandem with Bank Negara Malaysia found themselves helplessly unable to stop the currency haemorrhage.

The only thing that the Prime Minister could do was to call the attention of the world to the problem and to try and make the world understand that a joint effort had to be made to solve the problem.

Malaysia then proceeded to suffer silently as it waited for the international financial plumbers to show up and repair the damage and plug the leaks in the globalisation and liberalisation programmes followed by the affected East Asian nations.

All that Malaysia received for its troubles were generously and even arrogantly issued prescriptions from the International Monetary Fund (IMF) requiring the affected countries to raise interest rates.

Malaysia could not help but notice that the various suggestions seemed to be aimed at protecting hedge fund managers and ensuring that they did not hit the panic button. The IMF gurus had issued these bitter pills with the sole aim of making the global fund managers happy.

Malaysia then took bold, unilateral measures of its own to arrest the financial crisis. A couple of weeks ago Dr Mahathir announced new foreign exchange control measures which were contrary to the popularly held theories generally espoused by the US and promoted through many global financial agencies and think-tanks.

After the initial barrage of highly vocal criticism, economic egg-heads from Malaysia and abroad are slowly beginning to argue in favour of debunking the traditionally popular IMF remedies and some have even come to terms with the idea of capital controls in respect of global currency trading.

There were others who actually lauded the Malaysian regulations, albeit short-term, as being perfectly correct and predicted that these measures would be successful as a cure for the newly discovered economic ailment.

In fact, there seems to be a new realisation that in the ambience of market freedom there must be some regime to control absolute greed in order to ensure that the free market does not turn into a flea market.

The idea is that money as a commodity for trade requires a global regime and some form of multilateral arrangement similar to that governing the international trade in rubber, tin, palm oil, pepper and cocoa. The system

has to be global in order to prevent money from being traded in an uncommitted spot on the globe and spelling disaster for the currency system.

There should be enough propaganda or public relations at work to explain to all and sundry the need for such a regime.

Radio, television and global economic egg-heads should jointly talk about it and not just be cynical. There is enough supporting data to prove the point logically and scientifically in order that the yokel in Kuala Lipis with his few ringgit and the fellow in Arkansas with his US dollars together with the chap in South Korea with his won will simultaneously understand a little more about money as a commodity in global terms.

Once this is understood, there will automatically be popular and democratic support for an international currency regime and for the recognition that we are entering into a new world with a fresh paradigm.

The most obvious impact of the understanding of this problem would be political and will bring with it the realisation that a crucial element in democracy is the clear understanding of issues. This does not merely involve having a strong Opposition or a cynical and often misleading press, spouting negative thoughts under the umbrella of freedom of speech or freedom of the press.

The new thinking would be conducive towards creating togetherness in the prevention or the management of economic and financial crises which will inevitably visit the world on a cyclical basis.

We, the people of the world just cannot hope to see the 1960s, 1970s and the 1980s again, least of all Malaysian with its bubble economy rising out of the politics-as-usual attitude which is still prevalent in this era of change. This attitude only serves to generate greater uncertainty. I also feel, that despite vigorous denials, the US too is showing signs of a bubble economy.

If we firmly believe that the whole world should be our neighbour and that we should create a global village, let us unitedly work towards a common ideal and shared values.

The next Century seems to indicate a way of life and living in togetherness in the sharing of power and in consensual and confrontational democracy.

There must be flexibility and empiricism without inhibition so long as the core cultural mores are kept intact or constantly repaired. The people of the world must unite in order to get rid of the emotional, intellectual and cultural shackles of the 1960s and the 1970s and emancipate themselves in preparation for entry into a new era.

The old line of thinking has proven that there is a strong link between economy and security according to the US ideology. There was the Japan-US Security Agreement, the US-led-United Nations involvement in South Korea, the South-East Asian Treaty Organisation, ANZUS and US' involvement in Indo China.

The Bretton Woods version of liberal economic globalisation was conceived in 1944 and has played the lead role in international politics and economics. This particular world model is extremely germane to the question of security and culture of the free market as determined by the US.

I believe that the new era should be the subject of a world study. If nobody else has thought of doing so, then Malaysia should take the initiative and organise one in order to bring a new awareness to our people and to the rest of the world.

Let a non-governmental organisation take the initiative. The possible and probable images of the future should certainly be studied in order that we as Malaysians and indeed as world citizens should be able to make

a choice about a preferable future.

We should be modern and industrialised, being able to distinguish at once the difference between modernisation and industrialisation. I would suggest that the study should include the impact of industrialisation on society.

I hope that the study will be given priority in order that we may avoid the tiresome rhetoric usually involved when cultures and civilisations clash. We first need to decide upon the core values which we will need to retain and nurture. These core values, once determined, should guide us in our societal engineering towards modernisation and industrialisation.

We need to wed the idea of industrialisation with modernisation lest our "Look East" policy be accused of blindly copying the Japanese or the South Koreans who chose to follow the trends set by their Western industrialised counterparts. The results of this blind copying were disastrous as no two nations are the same.

I am sure that if a study were to be conducted, it would reveal the need for a new methodology and educational curriculum in order to ensure that the Malaysian population is not 20 per cent information technology (IT) literate and 80 per cent IT illiterate. I can only hope that Malaysia and the world is never dichotomised in this manner.

There is a very strong possibility that a third group in the world, the people of the African bush or the Central Asian steppes, may emerge as marginalised peoples. If the world is so divided, it would spell trouble for all of mankind.

We have to adjust our thinking to the needs of today's world which might include the problems of managing market shares with too many businesses chasing a limited number of customers despite the World Trade Organisation's rules and broken down tariffs.

And we may then come to the conclusion that IT will not be as important as has been claimed if we could, through research and development, add our own natural resources into local products in order to obtain a definite edge in the world's competitive markets.

For some countries, including Malaysia, the existence of remote and rural areas raises the question of logistics and the problems of transporting food and other necessities. There is therefore, the need to look at food security in the face of a rapidly growing human population.

This, in my view, is an important issue of human rights - the inalienable right to be free from hunger. One simply cannot eat microchips in place of rice and potato chips. There should be an adequate supply of food with an equitable and reliable distribution system on both national and international levels.

This matter is of utmost importance to developing countries and much of these problems have actually been well documented by the World Food Summit which was held in Rome in 1996.

We in Malaysia with our abundant rainfall cannot downsize the problem of water, which in my view, is related to both environmental and deforestation issues. It is a common myth that water is in abundance simply because rain is in abundance. Given the current trends in industrialisation, rain is now generally contaminated with acid. Let us therefore make a study of dry irrigation programmes for padi fields and of the rows of people that could be seen lining the cities of Malaysia very recently with buckets clamouring for water.

The study may also reveal that the hasty privatization of water management may not serve the people adequately in a developing country. If privatization and deregulation are strongly defended, then the study must suggest adequate measures and mechanisms to avoid water shortages.

We are currently facing problems involving poisoned rivers and of rain

falling outside designated catchment areas. We must not let the shortage of water be a sad commentary on the water management system in the country. With the twin problems of water and currency supplies, it would be right to say that Malaysia is truly facing a liquidity crisis.

The people, in tandem with the state and central governments, should take a brave, bold and united stand and where necessary be prepared to make related and coherent policies to ensure that the right to food and water is not violated. And we should continue to be dedicated to rural development in order to ensure that the foundations of future development are strong and unshakeable.

As far as Malaysia is concerned, growth is imperative. Malaysia should always adhere to the economics of prosperity and the concept of continually creating a bigger economic cake. Otherwise, the distribution of wealth will no longer be equitable and will be clearly seen as not being so. In such a situation, Government intervention will be branded as being a policy which tries to rob Ah Chong in order to pay Ahmad.

There are sufficient signs to indicate that others in the world are ossified and still wedded to the dominant theories of the 1960s, 1970s and the 1980s, with their value systems pushing and pulling in all directions and their myopic gurus continuing to theorise and offer outmoded messages. However, we in Malaysia should ignore them and proactively tell the world that it needs a new multilateral commitment with modalities and mechanisms which are germane to match the challenges of the crisis-prone free market system.

Malaysians must refuse to be fossils and strive to become pioneers of the new economic, political and social era without loud boasts or big bangs.

(END)