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Unwise to parrot foreign critics

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UMNO president Datuk Seri Dr Mahathir Mohamad's counter-attack on Friday against allegations of crony-capitalism, nepotism and the lack of transparency in the Government may have sent some accusers diving for cover.

It may have also caused the antagonists to be abandoned by their backers and supporters.

But it may also harden the resolve of others to continue to make use of the allegations to weaken the Government in general and Dr Mahathir in particular.

Expanding on his reminder to party members on Wednesday that they should be prepared to be held responsible for actions that may destabilise the party, Dr Mahathir devoted a considerable part of his presidential address to defining crony-capitalism, nepotism and transparency.

Tracing Asia's unprecedented growth before the attack on regional currencies and stock markets a year ago, he said it was the West that dubbed the East and Southeast Asian countries tiger and dragon economies.

But when the Asian economies started to falter as a result of the attack, blame was placed on crony-capitalism, corruption, nepotism and the lack of transparency in economic management.

While he did not deny that negative elements were present in Asia as in elsewhere in the world, Dr Mahathir said it was made to appear as though they were exclusive to Asia and thereby used as an excuse to legitimise the attack on the economies.

Unfortunately, either due to ignorance or out of a desire to be accepted by the West as liberal and democratic, some Malaysians not only believed the accusations but also joined the foreign critics in attacking the Government.

What was strange, said Dr Mahathir, was that those who were taken in by the allegations of cronyism were themselves "cronies" as they had benefited from the preferential treatment of the New Economic Policy. They enjoyed good education, high government and private sector positions, and received shares because they were Bumiputeras.

Said the Prime Minister: "Look at oneself before accusing this and that person as being the leader's crony. Without the NEP and the preferential treatment enjoyed by Bumiputeras, can we reach the level where we are today?"

THE Umno Youth chief, Datuk Ahmad Zahid Hamidi, who is seen as the number one antagonist, might have done a disfavour to himself by sounding too much like the foreign accusers.

Had he articulated his argument more carefully, he would have avoided the confrontation and the suspicion that he was fighting a proxy battle ahead of next year's party elections.

To begin with, it was unwise to sound too much like the foreign accusers of the Government and the Prime Minister which include the Western-controlled media.

He should have realised that repeating slogans and labels coined and popularised by foreign critics, much of which are alien to the country's politics, culture and customs, would not go down well with the thinking segment of society.

Dr Mahathir is all too aware of this tactic having been given many

labels - good and bad - during his six decades of political life.

His political career was nearly destroyed when he was labelled "Malay Ultra" in the aftermath of the May 13, 1969 race riots. It caused the non-Malays and the liberal elements in Malay society to be highly suspicious of him.

While Zahid should be congratulated for speaking up, a quality which had been missing from Umno Youth for some time, his shortcoming was his failure to put his thoughts in the appropriate context.

It was unwise of him to make his criticisms sound as if Malaysia is in the same predicament as other countries which had to resort to International Monetary Fund bailouts, and whose leaders had been driven out of office.

Zahid could have emerged as a thoughtful crusading young leader had he been more original in setting and pursuing his agenda because some of his complaints were legitimate.

For instance, his accusation that large companies had colluded in awarding subcontracts in privatised projects to their subsidiary and associate companies instead of sharing them with Bumiputera contractors.

Even this column had repeatedly referred to this problem, and some leaders, who seemed to share Zahid's view, were fully aware of the monopolistic tendencies of the large companies.

And nobody is about to deny Zahid and his movement the right to differ with the party leadership. But it is unfair to say and do things that give the impression that our leaders are bad and should, therefore, be pressured to leave just as several countries in the region had done with their leaders.

Surely Zahid and his fellow Umno Youth leaders are not about to deny that Malaysia's economic and political management is much better than that of neighbouring countries which had sought IMF assistance.

If we are not, we would have been forced to join them in begging the IMF. Had such been the case, Zahid would not have been able to lead a comfortable life and run a thriving business.

Even after our currency and stock markets have been ravaged by speculators and manipulators, we are still able to live relatively comfortably and most of our companies may still survive if we maintain political stability and get on with our economic recovery plan.

There is also a possibility that Zahid has fallen victim to the most recent political undercurrent.

AT a recent conference in Tokyo when Dr Mahathir warned of an Asia dominated by what he called new capitalists, not a few people thought he was making yet another perilous attack against the West.

These faint-hearted people, some of whom occupy high government positions, feared that Dr Mahathir's statement would lead to another round of attack on the ringgit and stock market.

Speaking at the Nihon Keizei Shimbun's "The Future of Asia" international conference on June 4, Dr Mahathir said Asian countries would grow and prosper in the globalised and deregulated world but risked having their economies dominated and run by "new capitalists".

He said in such a world, the future of Asia would be so closely intertwined and interlinked with that of the rest of the world that it could not be distinguished.

On the other hand, said Dr Mahathir, if Asia remained intact after extricating itself from the economic situation, there could be restoration of healthy competition among Asia, Europe and the US.

"But the new capitalists would not want to miss the opportunity to dominate the world and make lots of money in the process. Only if their

own countries restrain them will the future of the world, of which Asia is a part, be peaceful and prosperous."

Amid these criticisms and fears, the truth of his assertion surfaced in the most dramatic manner.

Fearing that the prolonged and drastic depreciation of the yen would further weaken the Japanese economy and worsen the Asian crisis, the US stepped in on Wednesday to shore up the Japanese currency.

The US Treasury sold dollar and bought yen in a move US President Bill Clinton said was specifically designed to tell financial markets that the US had confidence in Japan.

The act might not amount to the US Government restraining the currency traders but it did have some desired effects. The yen rose followed by moderate strengthening of other Asian currencies and stock markets. Wall Street also reacted positively to the move.

But the US intervention was also an act of self-preservation. Clinton said the US had to support the yen in order to stop the worsening conditions of the Japanese and Asian economies which were threatening to spread to the US and other parts of the world.

THOSE who accused Dr Mahathir of impropriety are either defending the interests of this new breed of capitalists or are unaware of their pervasive nature.

Assisted by the advancement in information technology, telecommunications, market liberalisation and the collapse of the socialist economic system, the nature of capital has changed.

But nothing is more dramatic than the change in the breed of people who control capital.

The power of this new breed of capitalists, as Dr Mahathir alluded to in his Tokyo speech, had been recognised years ago by economic experts and management gurus in the US and Europe.

What the Prime Minister did was merely to acknowledge the influence this breed had on the global economy, especially on the currency and stock markets.

More than their predecessors - the likes of J.P. Morgan, Rockefeller and Ford in the US; Siemens, Thyssen and Krupp in Germany; Cunard, Levers and Vickers in Britain; and Schneider in France - this new breed is more influential globally.

They are, in the words of American management guru Peter F. Drucker, faceless and anonymous. They are the pension funds' investment analysts and portfolio managers.

Drucker was among the first in the world to recognise the emergence of this breed of capitalists. He noted in his 1993 book Post-Capitalist Society: "Never before have there been such enormous pools of money as are now held in developed countries by institutional investors, primarily pension funds.

"In the US, where the development started and has gone furthest, the biggest pension fund holds assets of US\$80 billion (RM320 billion); even a small pension fund may have something like US\$1 billion invested in the economy."

These pools of capital, said Drucker, dwarfed anything the greatest capitalists of past times commanded.

The impact of this new type of capital and the people controlling it in a developing economy like ours - whether good or bad - will be better understood if we realise that some US\$250 billion of it flows from the richer Western countries to the emerging markets each year.

The British newspaper The Guardian on June 16 noted: "The financial markets might not be seen as a very democratic place but these days, more

often than not, the streetwise traders can send very strong signals to policymakers and political leaders, even forcing dramatic change."

What the Prime Minister is driving at is that countries and Governments can today be held to ransom by these faceless new capitalists who move huge amounts of money from one market to another for quick gains.

If there is any truth in The Guardian's assertion that "failure to do what the Western authorities expect can be as potent a force for change as students on the street", a conclusion can be made that developing countries have lost some aspects of their independence.

With the media might behind them, the new capitalists are able to influence the masses in the developing countries to go against their leaders and Governments.

It is for this reason that Dr Mahathir on Friday warned Umno members against falling into the mental and psychological traps set by these capitalists and their agents.

We either learn to understand their methods of operation and make the necessary adjustments or risk being enslaved by them. We may still be wealthy and comfortable but we will not be free and independent.

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