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Crucial to make globalisation a win-win formula

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EAST Asian Governments, while being far from perfect, have provided good leadership and foresight in guiding their political, social and economic development. Most of these countries were colonies of the West.

Their wealth had been fully exploited by the colonial masters. When they became independent they were extremely poor. Per capita income in Malaysia at the time independence was attained was only US\$300. It was less than US\$50 for Indonesia.

All these countries were basket cases when their Governments set out to develop them. In four decades, a relatively short period for economic progress, these countries had become tiger economies, with per capita incomes rising by as much as 1500 per cent.

There was disparity in wealth distribution but the lot of the poor had been much improved. Poverty had been reduced and a new middle-class was growing rapidly.

Infrastructure facilities had been adequately developed. They had ceased to be basket cases.

In fact they were well on the way to becoming high middle-income countries, while some had per capita incomes of developed countries. There is no doubt that left to themselves they would continue with their rapid economic and social development.

The collapse of these economies cannot be due entirely to their bad Governments. They may have contributed to the collapse by lax financial management, by borrowing too much abroad, by depending too much on foreign capital.

But they had been doing all these for years without any major economic catastrophe. Something set off their economic disaster, and that something is definitely the deliberate devaluation of their currencies and the sudden massive outflow of the foreign short-term capital from the stock markets.

It is argued that the devaluation was caused by a loss of confidence in the economic future of these countries. But did the currency traders risk losing money if the economy collapsed? The answer is no.

The currency traders had not invested their money in these countries. They had not even lent their money to these countries. If the economy collapsed they stood to lose nothing.

What happened was they saw an opportunity to make huge profits by devaluing the currencies of these relatively rich countries.

By borrowing the currencies and selling down, the exchange rates of these currencies against the US dollar was depressed.

When the currency was sufficiently devalued they would buy the currency and deliver to those who had bought from them earlier at a higher exchange rate.

They had of course sold more than what they borrowed. They could therefore buy sufficient at the lower rate to return the currency they had borrowed.

Obviously they would not lose if they did not have the currency in the first place. The devaluation of the currency would not affect them.

It is a classic short-selling operation in which they need not have any of the currency at all. To deliver what they had sold they could wait for the value to fall before buying the currency they had sold.

Since their selling would devalue the currency they can be certain that

they could buy back the currency at a lower rate. The central banks of these countries could try to defend the currency by buying it with their foreign exchange reserves.

But the central banks would deplete their foreign reserves long before the currency traders run short. It is a no-win game for the central banks and the countries concerned.

The devaluation of the currencies is therefore caused by deliberate short-selling on the part of currency traders in order to make profits for themselves.

These traders were not facing any risk of losing money at all because of the financial weaknesses of these countries.

On the other hand the weaknesses simply provided opportunities and excuses for them to mount an attack knowing the countries concerned would not be able to defend their currencies.

If the traders had not attacked the currencies, they would not on their own become devalued and precipitate a financial turmoil.

A country need not be financially weak or economically in trouble for the currency traders to attack.

In fact the traders prefer a sufficiently prosperous country in order to achieve substantial profits from their operations.

For that reason the least developed countries are not touched while the middle-income countries suffer repeated attacks.

The strongest middle-income countries cannot match the financial resources of the traders.

With the ability to leverage on their capital by as much as 200 times, the traders can outrun the strongest central bank's attempt to support the exchange rates.

The central banks would have finished all their reserves long before the funds were fully extended.

And when the bank's reserves are exhausted the currency traders could devalue the currency to any level they chose.

In one case they devalued the currency by 600 per cent, wrecking not just the economy but the whole political and Government structure as well.

When the central banks were defending the currency they were buying back their own currency with their reserves.

When the currency is devalued the central banks will be saddled with huge amounts of their grossly devalued currency.

There would be no reserves to back the currency. The Central banks would effectively be bankrupt.

It is ridiculous to suggest that the currency traders were disciplining the Government when they attacked the currency.

There must be other ways of disciplining Governments than by destroying the entire economy, throwing out of work millions of people, bankrupting banks and businesses, destabilising the political and social life and finally overthrowing the Government and weakening governance.

If the right of the currency traders to destroy whole countries and regions is part of globalisation, then globalisation cannot be the good thing that it is supposed to be.

Since the attack against the East Asian countries started in 1997, the whole world has suffered massive contraction of the economy.

More than US\$1 trillion (RM3.8 trillion) of the purchasing power of the East Asian nations have been destroyed.

The political fallout is disastrous, with Governments collapsing, law and order breaking down, people raped and killed, property looted and shortages of all kinds of necessities including food and medicine.

Why should the developing countries welcome globalisation? True, direct foreign investment had helped develop their economies.

But clearly these, in particular the short-term investments are not dependable. Sudden withdrawals can happen and when they do they destroy more than what they had built.

Globalisation seems to be a new name to the centuries-old idea of the ethnic Europeans to dominate the world. At one time not so very long ago they had divided the world into a number of European empires.

Even tiny European countries own vast territories in America, Africa and Asia. Even the Antarctic was not free from their imperialism.

When they gave up their colonies in the post-World War II years it seems that they had had a change of heart.

They seemed to have realised that imposing their rules and exploiting other people was wrong. But the impression faded quickly as it became clear that they had substituted direct rule with economic imperialism.

The change was strategic as they were facing the threat of defection by the colonial people to Communism. By granting political independence they hoped that the colonial people would remain loyal to Western ideology if not to Western countries.

They created "old boys" organisations through their so-called Commonwealths. The spread of Communism and Eastern European imperialism was effectively slowed down.

The collapse of Communism removed the threat of defection and accordingly the need for Western capitalists to hide their hands.

Their economic dominance was apparently inadequate to assuage their imperialist urge.

They had used a variety of trade instruments and the General Agreement on Tariffs and Trade to gain more economic clout for themselves.

When the World Trade Organisation was set up they tried to force open the markets of the world so as to be able to restart the economic exploitation unhampered by national borders.

The system of Government in the newly independent countries provide excuses for undermining them.

No matter how hard these countries may try they are never considered democratic or liberal enough.

Unable to make democracy work among people who had only known autocratic rule during the colonial days, many of these countries became anarchic and incapable of achieving any progress.

Those who somehow achieved progress were accused of being corrupt, given to cronyism and nepotism and a variety of other misdemeanours.

It would seem that the West would allow only one ideology or system of Government, one economic model and one set of values for the whole world.

And all these must be as prescribed by the West. Nothing else would be tolerated.

Failure to accept and practise these would result in punitive action varying from media criticism to actual military raids using bombs and rockets.

Obviously the uniformity that the West has been trying to foist on the rest of the world would create a single uniform global entity and make globalisation a political and economic reality.

The globalisation world would be steeped in all the values of the West and would have in place all the Western ideological, political, social and economic systems.

In such a world the West would dominate. The domination would be total, with the giant Western banks, trading and industrial corporations owning and operating everything involved with the exploitation of all sectors of the world's economy.

The destruction of the economies of the East Asian nations through currency devaluation and stock markets manipulation seems to be a step in

the creation of the Western concept of a globalised world.

It is a pity because a globalised world can be a truly democratic, prosperous and just world, where nations and national identities, remain, where variations of the democratic ideology are practised, where cultures and values vary and differ, where the small can exist alongside the big.

Wealth would be fairly, if not equally distributed. There would be no absolute poverty but there could be relatively poor people and relatively rich people. Differences are celebrated rather than excoriated and banished.

Giant corporations which dominate specific industries or businesses and banks should not be allowed.

Each country must be allowed to have their own indigenous enterprises which must allowed access to all markets. If necessary a degree of protection should be afforded them.

If globalisation is not straight-jacketed, if globalisation allows for some variety in every field, if there is some allowance for national values which do not go against universally accepted norms, then globalisation should be welcome by all, including the least developed, the developing and the so-called newly industrialising countries.

How much leeway can be given each group can be debated in international fora. There will be no perfect formula or system for anything, for economic policy, political system or social practises.

The process of finding better ways will be eternal. The weakness of human nature will always ensure that the best of solutions will be misinterpreted and misused.

The global body concerned with globalisation will try to plug the loop-holes and redefine the meanings whenever misuse or misinterpretation become too frequent.

The developing countries want to welcome globalisation. But they must have a say in its formulations and interpretation.

Above all they must not be forced to give up the little that they have, their nominal independence, and their way of life in the name of globalisation. Globalisation must be a win-win formula which benefits all at the expense of none.

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