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MAHATHIR-ECONOMIC

ECONOMIC WEAPONS USED TO RECOLONISE NATIONS: DR MAHATHIR

KUALA LUMPUR, June 18 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad has warned against western powers using effective economic weapons by depreciating the value of currencies and shares to weaken target countries, forcing these countries to submit to their wishes.

"The economic weapon of foreign powers is indeed potent and can by itself defeat and recolonise us. But when foreigners are supported and aided by locals, especially government leaders, the possibility of us being recolonised is greater," he said during the presidential address at the 53rd UMNO General Assembly here today.

He said the main effect of these weapons is to open up the country unconditionally and unrestrictively to the entry and exit of modern Western capitalists.

"The normal protection given to local businesses must be withdrawn so that foreign businesses not only could take over fully local businesses but be able to set up banks and businesses that are 100 percent owned by them," he said.

When the economy is under their control, they would attempt to control politics as well, he said in highlighting the folly of depending too much on western powers as well as exposing the economy to full foreign competition under the guise of globalisation and liberalisation promoted by them.

Dr Mahathir also cautioned developing countries not to be taken in by the impressive portrayal of globalisation leading to a borderless world which would only undermine governments to the detriment of the people.

For instance, he said the World Trade Organisation (WTO) was exploited for the advancement of globalisation whereby capital investment was used as a bait to bring rapid development to developing countries.

"They threatened to restrict the entry of goods from developing countries or the New Industrialising Countries (NICs) if their (NIC's) market was not opened up for their goods and capital," he said.

Gullible countries then opened up their economies, he said, citing Malaysia which allowed its ringgit to be converted into an international currency which could be freely traded but not realising the impending dangers.

Foreign capital investment in the stock market was promoted through road shows in the developed countries with Malaysia and its traders delighted to see the composite index rise rapidly, higher than the true value of their shares.

"For our traders, globalisation, a borderless world, appear attractive and will bring unlimited gains," he said, adding they failed to realise the destructive forces of currency and stock market speculators.

"There are times when the value of the local currency is depreciated so low it becomes valueless," he said.

"As if depreciating the value of the currency is not enough, the new western capitalists attacked and devalued shares of those companies listed on the Kuala Lumpur Stock Exchange.

"Through short selling, the shares of those companies will be depressed to the lowest level," said Dr Mahathir.

"In Malaysia, the Finance Ministry which at that time was led by an International Monetary Fund (IMF) fan, had worsened the conditions by increasing interest rates effectively to 24 percent, thereby reducing the

money in commercial banks, and by shortening the period under which loans become non-performing from six months to three months," he said.

Also, government spending was reduced by 21 percent (and) because the operating expenditure could not be reduced, allocations for development had to be cut altogether, he said.

On the Cabinet's directive, the Prime Minister said that statutory reserves of banks were reduced to three percent so that banks could loan out money.

Bank Negara followed this instruction but at the same time withdrew its loans to banks by the same amount, as a result of which the Cabinet directive to increase money that could be loaned out by banks was ineffective.

The Treasury's action at that time, inspired by the IMF, had virtually halted all economic activities and the government's revenues depleted because no business could profit.

With the government being desperate, many foreign observers predicted that Malaysia would be forced to seek IMF assistance and accept its conditions to open up its economy to enable foreigners to buy up cheaply its ailing banks and companies.

However, the government could not borrow from the IMF because its conditions would prevent Malaysia from achieving the New Economic Policy (NEP).

If the NEP objectives were obstructed, Malaysia would face a major problem which is bigger than the economic crisis, as the Malays and other Bumiputeras would revolt, riot, if they were to remain as workers in these foreign companies.

"We believe no Malaysian is willing to surrender the management of the economy to foreigners. But, apparently there is a Malaysian, in fact our leader, who saw the economic turmoil as an opportunity to take over the government," he added.

The foreign currency rogues, Dr Mahathir added, not only deliberately destroy the economy for profit but put the blame on the government for the crisis when it is the same government that had successfully developed the economy to the "tiger economy" league as it was called before July 1997.

Accusations of cronyism, nepotism, corruption and non-transparency that were hurled were only excuses to blame the government and not themselves (foreign currency rogues).

Dr Mahathir said he did not deny the fact that those practices did exist in the country but they were not the cause for the deterioration of the economy. -- BERNAMA

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