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Global economic liberalisation

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IT TOOK until the end of February for a major snow storm to bring old Logan airport in Boston to "a white out and a wipe out". It is certainly no joke when the Boston Symphony Orchestra is forced to postpone its evening concert from February 25 to April.

Thursday, 4 March was cold and windy (40mph) in Boston. I had arrived late the previous night, when my Delta shuttle flight from La Guardia in New York, was delayed for two hours. On my return journey on Sunday, I was again delayed for another two hours.

I had gone to deliver three speeches at the University of Boston - one of which was on that Thursday morning - to 250 international relations majors, at the Morse Auditorium. The cold weather and the delay were amply compensated for by the warmth and hospitality I received from the students and the faculty members.

The question and answer session was brisk, mature and business-like - which delighted me no end. After enjoying a delicious dinner given in my honour - at the Providence Restaurant - by Dr. Ksenya Khinchuk, Director of the Hubert Humphrey Programme, I had a good night's sleep. In the morning, I found snow on the ground; two inches deep.

Here are some selected passages from my remarks:

"In November 1997, I addressed the Mason Fellows at the Kennedy School of Government and Politics in Harvard University. I told them that on June 17, a personage no less than Michel Camdessus of the International Monetary Fund (IMF) himself, cited my country as being a good example. I quote - " (Malaysia is a country) ... where the authorities are well aware of the challenges of managing the pressures that result from high growth and maintaining a sound financial system amid sustained capital flows and a booming property market." - unquote.

"Yet, in the summer, Malaysia was caught in the financial turmoil, together with other East Asian countries, as our ringgit was rapidly devalued by rogue currency traders. Instead of blaming the currency manipulators, we were blamed instead. We and the other East Asian nations were described as being corrupt and not transparent enough.

"I admit that there were and still are - to varying degrees - corruption and a lack of transparency. Perhaps even cronyism, in as much as they also exist in the US; notwithstanding the fact that the American economy is thriving now as ours did before the assault began.

"If corruption, a lack of transparency and nepotism were the underlying causes, there would not have been any miracle economies in East Asia to begin with. They would have all collapsed long ago. However, they survived and grew spectacularly for decades and only collapsed in July 1997 when their currencies were deliberately and systematically devalued by unscrupulous currency traders, bent on making a profit at the expense of the poor people in the emerging world.

"As we approach the new millennium, we are being besieged by many growing concerns. We live on an overpopulated and ecologically threatened planet; in 20 month's time, there will be some 5.3 billion people alive. The world's economy is in trouble, it may collapse sooner than we dare envisage. In 1997, Thailand, Indonesia and South Korea had to be bailed out with US\$115 billion (US\$1 = RM3.80) by the IMF and they are all still in the doldrums.

Last year, US\$22 billion was pumped into the Russian economy. Russia

then proceeded to devalue its currency - the ruble - and default on its debt obligations. Three months ago, Brazil devalued the real. Now, the bad news is that Europe's largest economy - Germany - is in deep trouble. Production has fallen in France and Japan as well as Hong Kong are in a recession. In the Philippines, cronies of the late President Ferdinand Marcos, are slowly returning to power.

"The US is all right for the time being; it is not about to collapse. In fact, these are astounding times here. I am happy for the American people. You may say that in a rapidly worsening world economy, the US will be the last domino. When will it fall? - God only knows. But it shall fall eventually. That is the nature of things. It is not my wish. The economy, like a nation, has its ups and downs. For more than two centuries, it was believed that the sun would never set on the British Empire. But set it did, soon after the Second World War.

"Now, I will come to my country; Malaysia. As Prime Minister Datuk Seri Dr Mahathir Mohamad said two weeks ago: Malaysia would have gone bankrupt if it had waited for the IMF to control the currency trading that had devastated key Asian economies. Malaysia's appeals to international institutions to curb currency trading fell on deaf ears and the country had to take matters into its own hands by imposing limited capital and currency controls to prevent the economy from going into a tailspin and making the nation bankrupt.

"I would like to impress upon you, in plain English, that neither the Malaysian people nor Dr Mahathir have ever had anything against the US as a country or its people for that matter. However, we do feel that the US Government and the American media have portrayed a distorted view of us and East Asia as well as our aspirations. The US is the main player in currency trading because these traders mainly operate out of Wall Street. The leveraged loans given to hedge funds came primarily from US banks and the amounts were huge (20 or even 200 times more than their equity base). The Malaysian perspective is that it is not hopeful, in spite of what President Bill Clinton said, that the rich Group of Seven (G-7) countries - which will meet in Cologne, Germany in June - would be able to tackle the global economic woes because both sides were looking at the same problem from different angles. The rich nations have been nurturing the very instruments that have attacked poor and emerging nations - the Long-Term Capital Management Hedge Fund (LTCM) got into trouble and they lost a great deal of money. The rich nations are only interested in recovering their losses whilst we are interested in protecting ourselves from the results of what they have done.

"The peoples of the newly emerging economies had welcomed the end of the Cold War. However, they discovered soon enough that they had lost valuable political leverage - an alternative. All nations - particularly the smaller countries - are now at the mercy of a unipolar world. The US practically rules the universe and it does so with supreme and spectacular confidence. Today, capitalism and Washington find little need to compete for approval and acceptance. As a result, the worst aspects of the capitalist system have surfaced and we are suffering and being victimised.

"I need to reiterate here, in the clearest possible way, that Malaysia has always welcomed foreign capital and investment and still does. We do so in order to boost our economic growth, prosperity and to aid in the levelling of our society. We realise and understand the potential damage to our economy should that capital be suddenly withdrawn. We feel the humiliation of going from being miracle economies (Malaysia, Indonesia, Thailand, Singapore, etc) to being impoverished nations. One or two of our neighbours - sensitive peoples - have had to accept the foreign direction of their economics. Very bitter pills for them to swallow. We in Malaysia,

have thus far escaped all this; thank God.

"But the assault on us and them, as Dr Mahathir always asserts, is far from over. In this information age and given the rapid advances in transportation and communication, the powerful have become stronger and the weak, weaker. In this setting, the temptation to interfere in domestic politics will become the norm as they buy our assets cheaply.

"My Prime Minister told the summit of the Group of 15 nations (G-15) in Jamaica, that power not only corrupts but it must also be free of any challenge. If anyone has the temerity to criticise those with power, the result can be extremely painful for the critic. Every weapon at the disposal of the powerful nation will be ruthlessly employed against the critic. Among these weapons, is the media, which is entrenched and can demonise any one. British Prime Minister Tony Blair and the Labour Party are currently fighting a war against the British media after a two year honeymoon and grace period.

"The trouble, I am sorry to say, is that many nations which are struggling to rebuild their battered economies, do not have Dr Mahathir's courageous vision - to curb, restrain and regulate the currency traders who are a law unto themselves. Unless you control them, they shall strike again after you have rebuilt your economy. Ask the Latin Americans. Perhaps some of the so-called leaders are still licking their wounds or they may be too scared to upset their chief patron who endorses and protects these rogue traders.

"I am delighted to note that even President Clinton now appears to be backing Dr Mahathir's call for reforms in international currency trading because he has finally realised that even America's prosperity was not immune to a global financial crisis. Even the giant currency trader, Mr George Soros, in his new book entitled, "The Crisis of Global Capitalization", said that there had been certain fundamental flaws in the global financial system and he wanted reform. Quote: "Unless we attend to them, the system is liable to disintegrate and we shall suffer the consequences." - unquote. Very well said by the man who made his mega fortune through currency trading. It almost seems like an after thought.

"In spite of the progress made, the selective currency controls in Malaysia will remain in place until the international community devises a new financial regime which curbs the activities of currency traders. I am glad that there are now demands for regulations to control the activities of these traders in order to stop them from depleting the fortunes of the developing world. In the words of Jean Chretien, the Prime Minister of Canada: We cannot see prosperity disappear overnight because some boy in red suspenders in New York decides that this is not a good currency. The Senior Minister of Singapore, Lee Kuan Yew, insisted that there was an urgent need for more intrusive laws. He said that he was not going to allow the Singapore dollar to be rubbished. I understand that Japan, Germany and France are eager to press ahead with a tough regulatory framework, but as usual, the US, is wary of creating any new regulatory structures because nearly all the big traders are American.

"The 21st Century should be a better century, though we are now seeing newer weapons of war, namely financial and economic weapons. And they are no less destructive and no less lethal than the rockets and the nuclear bombs.

"Malaysia is bouncing back from the brink. I don't want you to simply believe me but I would like to invite all of you to Malaysia to see whether the controls have harmed the country in any way. I persuaded two dozen or more MBA students from the University of California at Berkeley to visit Malaysia and they have just returned home. You can ask them about the situation in Malaysia. We have no powers to rival the American power

to seduce but come nevertheless. However, Malaysia will not recover fully if the world regards capitalism as a religion and Washington as the Vatican. But I must admit that as a small trading nation, the extent to which Malaysia bounces back will depend upon the health of the world's economy. We will not recover if capitalism is regarded as a religion and blindly followed.

"Your Vice President Al Gore and Treasury Secretary Robert Rubin, said that there could be increased protectionism among developing nations due to the economic crisis. So there might well be. So what is new about it? The US is the mother of protectionism. It scrupulously practices it. You protect your wheat and steel industries with huge subsidies and you impose countervailing duties against anybody accused of dumping. So why are you objecting if Malaysia - a tiny nation - seeks to protect its minuscule car industry?

"Your (US) economic locomotive is going strong. The US economy grew at almost 6 per cent in the fourth quarter of 1998. The economic bellweather, the Dow Jones, is well over 9000. The American people and consumers are on their biggest spending binge in your history. But can it last? Can the US remain the importer of last resort for a world in a recession in the face of your exploding trade deficit with Japan and China - even though it is still minute compared with your gross domestic product?

"Let there be a level playing field where the competitors are of equal economic strength - if it is at all possible. In any event, there must be morality in government and politics as well as fairness in commerce, trading and other aspects of the economy. Do not let the financial and currency crisis of 1997 become the trade crisis of the new century.

"This is what I feel the picture of the future, the new century and the new millennium is going to be like. If I am right, then the result will be an erosion of hard-won independence. Neo-colonialism will have emerged in the new century - a mere half a century after the birth of freedom."

* The writer is Malaysia's special envoy to the United Nations.

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