

07/05/1999

## Globalisation and what it really means

Dr Mahathir Mohamad

WHEN the Cold War ended, the world heaved a sigh of relief. No more conflicts; no more arms race; no more confrontations.

Justice and freedom in the form of democracy and the free market had triumphed. It was the end of history.

The Third World welcomed this. Henceforth, they would not be dragged into conflicts of their own making, would cease to be surrogates and proxies.

Instead they would all concentrate on economic development and the well-being of their people.

Since the victors were the liberal democrats and their free market system, it was natural for everyone to embrace democracy and the seemingly benign capitalism which accompanies it.

Visions of America-like prosperity consumed the thoughts of leaders and people worldwide.

The communications explosion and jet travel brought all the countries, big and small, rich and poor, closer together.

A global village had rapidly emerged. A village implies closer contacts and largely common values. Obviously this is a process of globalisation.

Instead of hundreds of independent states there would be just one global nation, with just one ideology, one set of values and one focus of loyalty.

It was an idyllic vision which everyone should welcome and work towards. Unfortunately it did not work out that way at all.

The rich countries of the West, the ones pushing hard for globalisation, saw in it, an opportunity for enriching themselves even more and dominating the world in the process.

Long before the word globalisation became popular, the rich were already trying to gain for themselves through breaking down national boundaries.

Through the General Agreement on Tariff and Trade and the World Trade Organisation, they tried to eliminate the competitive advantages of the emerging economies, such as their low labour cost.

They tried to impose their wage scales on the poor countries so as to eliminate their competitive advantage.

But when it comes to their own competitive advantage, for example their technology and know-how, they are copyrighted and protected.

High royalties must be paid for access to their technology. Access to their rich markets are blocked by anti-dumping laws and countervailing duties and a host of non-tariff barriers.

But these were not quite satisfactory as far as the rich West was concerned.

They found that the countries of East Asia especially could still develop fast and challenge the supremacy of Western industrial power.

Something more powerful was needed if the Asian century which they had predicted, was to be prevented from becoming a reality.

President Jimmy Carter picked on human rights and declared that the United States would not be deterred by national borders and independence, in their self appointed task of fighting human rights abuses world-wide.

This gave encouragement and legitimacy to the non-governmental organisations which were being set up in the developed West in order to overcome the obstruction posed by national boundaries and independence.

In the matter of human rights, the Governments of the West and the NGO's

were able to overcome the generally accepted principle of non-interference in the internal affairs of independent nations.

It was the Gulf War which finally broke the principle of non-interference. President George Bush declared that the West has the right to oversee that independent countries adopt liberal democratic principles.

If they don't, then the full military and economic might of the West would be used to force them to practise liberal democracy.

Sanctions were accordingly applied, and military attacks on several countries mounted.

Since the option to defect to the communist bloc had disappeared, the West could do just what they liked in the quest for domination over the world.

Despite all these new principles to legitimise Western interference in the domestic affairs of independent countries, the rapid economic and social development of the countries of East Asia could not be halted or slowed down.

Western dominance in many fields was being challenged successfully by these countries.

When China was an orthodox communist state, its economic potential could not be developed.

Chairman Deng Xiaoping decided to adopt Western methods of economic development while retaining the authoritarian rule of the communist.

Suddenly China boomed as an economic power with tremendous capacity to challenge the West.

Its 1.2 billion hardworking, skillful and intelligent people, united under one nation, cannot but make China the world's most powerful nation, able to challenge the West in every field including the military.

That China had evinced no desire to dominate the world is irrelevant. Since the West had always hankered after world dominance, China must be assumed to have the same ambition.

China must be stopped. But China seems to be unstoppable. Attempts to mobilise the East Asian countries against China received lukewarm support.

There was even fear that the East Asian countries, at least some of them with large Chinese population, would join China in defying the West.

It may be far-fetched, but the West have always been given to postulating possible scenarios and then preparing for them.

They have often been wrong of course, but that has never stopped them from believing in their predictions and acting on them. Currently, they foresee a clash of civilisation and China poses by far the greatest threat and potential for a clash.

It was getting rapidly wealthy and was mastering even technology. The lessons of the Pacific War have not been forgotten.

But Japan was physically small while China, in possession of Japanese economic and military capability, can possibly win in the clash of civilisation. China must be stopped in its tracks. But how? Military conquest and subjugation of the huge country is not only costly in terms of men and money, but can actually fail.

Sanctions would deprive the West of a most valuable market. Denigrating China and denying it its right to join world organisations merely irritate without being effective.

The Western capitalists', finding that they no longer need to show a friendly face after the demise of communism, had discovered a way of impoverishing and destabilising countries.

Merely by devaluing the currency against the US dollar, a country can be so distressed economically that it can collapse unless "rescued" by the rich countries.

Such rescue operations can be withheld until the country concerned

accepted the terms which in effect nullify the independence of the country.

This weapon is only effective if a country is freely tradeable. China's currency is not tradeable. Its circulation is controlled and its value determined by the Government.

China's exports on the other hand earns the country more than sufficient foreign exchange to pay for China's imports.

Indeed China's balance of payment is hugely in surplus. Devaluing the Chinese currency in order to impoverish China is just not possible.

But what if China is rendered uncompetitive against its fast-developing East Asian neighbours?

Then China's growth can be slowed. It may not have been designed to do so but the devaluation of the currencies of East Asia has nullified the competitive advantage of China.

The effect is the same as revaluation of the Chinese yuan. So long as China does not devalue the yuan, its competitiveness would not be the same.

And China has been urged to retain the yuan/dollar exchange rate.

In the meantime, a total assault was mounted against the burgeoning economies of East Asia.

By devaluing their currencies and depressing their stock markets, these tiger economies have been made nearly bankrupt.

They were forced to seek international aid and to accept the condition that they open up their economies to unrestricted foreign exploitation.

All their banks and industries must accept foreign take-overs at giveaway prices due to the collapse of their share prices.

The devaluation of the currencies greatly enhanced the competitive advantage of these East Asian countries against China.

With these countries coming under the control of Western Governments and Western capitalists, the competitive advantage would be available to them for stunting the economic performance of China.

China can of course devalue its own currency so as to remain competitive.

But China was urged by the West, and also by the impoverished countries of East Asia not to devalue and cause even greater difficulties to these nations.

Gallantly, China gave this undertaking. Although, if the Chinese yuan is freely tradeable, the currency traders would certainly have attacked and devalued it and impoverish China as well.

Clearly, globalisation of the financial market had enabled the West and their capitalists to destroy the threat to their economic and political dominance posed by the burgeoning tiger economies of East Asia.

Cleverly, the West, aided by their control over the world media and the international institutions, have managed to put the blame for the economic collapse of these East Asian countries on the Government of these countries.

Now, it must be admitted that the Governments of the East Asian countries are not free of corruption, crony capitalism, nepotism, etc. But so aren't the Governments of the Western countries.

The European Commission was forced to resign enbloc recently when its members were found to be corrupt and had practised cronyism.

Every country in Europe and North America has had Governments and Ministers who have been corrupt and are totally immoral. They have often abused the trust placed in them by their people.

If bad Governments and bad governance is the cause for a country's economic collapse, then the European countries too should experience massive devaluations and economic turmoil.

But except for fairly minor economic and financial downturns these corrupt countries and Europe itself had not suffered the kind of massive problem visited upon East Asian countries.