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## Globalisation and smart partnership

IF the risk and destruction of free capital flows and currency trading are manifestations of a borderless world, is there any reason, asks Datuk Seri Dr Mahathir Mohamad, as to why developing countries should accept globalisation unquestioningly?

According to the great thinkers and ideologists of the West, globalisation is about breaking down national boundaries as barriers to the flow of capital and goods to wherever they can make the most profit.

Since capital and practically all the goods belong to the developed and the rich, the opening of borders must result in the poor having to accept inflows of everything from capital to manufactured goods and even services from the rich. The result must be massive outflows of whatever foreign exchange the poor countries have.

Still it looked good at first as capital inflows helped the setting up of industries and boosted the local stock market.

Jobs were created in large numbers and earnings at all levels increased. The economy grew for some and imports could be paid for.

Export-oriented foreign-owned industries helped to earn needed foreign exchange to pay for imports.

Developing countries which accepted the free inflow of capital and goods grew and prospered.

Nationalistic countries which had jealously protected their markets were persuaded to open up.

Thus Southeast Asia achieved high growth due to opening up their countries to foreign capital, goods and services.

But certain restrictions were maintained in order to allow local companies to emerge and grow along with the countries' prosperity. Banking in particular was confined largely to nationals.

These minor restrictions coupled with what appeared to be inefficient Governments prevented the foreign capitalists from exploiting to the full the potentials and wealth of these countries. They felt that these were irritants which must be got rid off.

Destroying in order to rebuild is of course not a new idea. Phoenix is supposed to rise from the ashes.

If prosperity did not result in the newly industrialising middle income countries recognising their faults and taking corrective measures could not a downturn and economic turmoil awaken them to the need for change and for reforms in their Governments and their practices.

Destroying is always easier than building or creating. In this instance it was necessary only to pull out the capital and the economies would collapse.

If an inflow of capital could build economies an outflow especially a rapid outflow can be expected to destroy them.

And so borderless capital was pulled out. More than that through currency trading money was devalued so that the countries are left with practically useless money which could pay only for a fraction of the needed imports.

The result was unprecedented - rapid recession and economic turmoil. The people became restless especially when efficient propaganda machines of the currency and market manipulators convinced them that their problems were due to their Governments being corrupt, non-transparent and given to nepotism and cronyism.

Accordingly the people should agitate for reforms which must lead towards opening up the countries to the totally free flows of capital.

There should be no more restrictions of any kind. Local considerations must be ignored.

If the Governments refuse then they should be overthrown and replaced by Governments more willing to adopt the practice of allowing for free flows of capital and goods, i.e. to globalisation.

The economies of East Asia were all but destroyed through currency devaluation and stock-market manipulations.

Banks were forced to close and those which could remain open suffered runs and became moribund with huge non-performing loans.

The businesses lost market capitalisation as their share plummeted and they could not meet margin calls.

Deprived of credit their businesses grounded to a standstill. Many went bankrupt and where the International Monetary Fund had forced open the market, many good businesses and banks were sold literally for a song to foreign predators.

When a currency is devalued and share prices depressed, in terms of foreign currency everything including shares and properties become extremely cheap for foreign buyers.

The Malaysian ringgit was devalued by almost 50 per cent which reduced Malaysian shares to half their price in terms of the US dollar.

When the share prices went down by 90 per cent the share value in foreign currency is reduced to five per cent of the original value.

Thus foreigners with dollars can snap up these formerly good companies for just five per cent of their price if they are allowed to.

When businesses fail the Government gets no revenue. The Government will have to borrow.

The IMF will lend but with conditions which will in effect result in total foreign control of the economy.

If a country refuses to accept IMF loans and conditions and tries to borrow foreign currency from the market the rating agencies would downgrade the country rating so that interest would be so high as to make foreign borrowing suicidal.

All Governments subsidise businesses if for nothing else to reduce the cost of living for the people.

The IMF directs that subsidies must be removed. At a time when people have lost their jobs and incomes, removal of subsidies is cruel.

But the countries indebted to the IMF must comply or the promised loans would not be made available.

The direct result of the removal of subsidies was to agitate the people and precipitate riots, looting, raping and murder.

In the end the Government is overthrown and a more compliant Government put in place. But the problem is not resolved, certainly not immediately.