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C'wealth urged to devise rules for capital flows

Fauziah Ismail in Johannesburg

JOHANNESBURG, Wed: If the Commonwealth wants to see trade and investment flows bring prosperity to a globalised world, it must be willing to challenge conventional wisdom and propose rules and regulations to make free trade create wealth and not destroy it.

Prime Minister Datuk Seri Dr Mahathir Mohamad said the Commonwealth should devise rules and regulations for capital flows so that there will be economic stability rather than turmoil.

"Free trade need not be full of uncertainties and tumult. There need not be excessive gambling and speculation simply because free trade enables them. If, in order to benefit all, some regulations have to be put in place... there is no reason why not," he said in a dinner keynote address at the three-day Commonwealth Business Forum here.

The text of his address, entitled "Making Globalisation Work: Measures to Encourage Commonwealth Trade and Investment Flows", was read by Foreign Minister Datuk Seri Syed Hamid Albar.

Dr Mahathir also called for a rethink and reinterpretation of globalisation as it is hurting many.

Globalisation, he said, may be an idea whose time has come but that alone should not mean everyone should all meekly accept it. Globalisation cannot be embraced in toto simply because it enables free movement of capital and trade as free movements itself does not bring benefit.

"Although capital inflow can create wealth, capital outflow, particularly rapid capital outflow, can bring about economic and financial disaster.

"Some of us have already had considerable experience of the globalised free flows of capital. We have benefited but we have also suffered when there were abuses.

"Our experiences must be used to devise and improve the idea of globalisation so as to reduce the abuses and to help realise the good that globalisation promises."

He said the Commonwealth, a representative segment of the world, need to achieve a consensus on globalisation and speak with one voice especially in the World Trade Organisation. "We must ensure that it will be for our good, individually and collectively."

The Commonwealth wields considerable influence as all - with the exception of Australia, Britain, Canada and New Zealand - are developing countries. Together, these 54 members have a combined population of 1.7 billion people, 17,000 listed companies and US\$1.8 trillion in trade.

He said a globalised world would be meaningless unless it is an enriched and equitable world. Deregulation, borderlessness, free flows of capital while enriching the already rich must also contribute toward the rapid and equitable growth of the poor.

"It is not globalisation or deregulation or borderlessness or free capital flows which is important. It is what they can do for world trade, for economic growth and for alleviating the poverty of the world that is important.

"If they can, then we should all welcome these ideas and concepts. If they don't, if they bring about more misery to the already miserable, then notwithstanding their being in keeping with the times, notwithstanding the advances in technology, the rapidity of communication, they should all be rejected," he said.

And, if globalisation is going to benefit the world, the relative strengths of the trading partner must also be given due consideration. It will not cost the superior partners much if handicaps are given to the weaker partners. In the long run, it will benefit the superior partner also, for the prosperity achieved by the weaker partner due to the privileges will make it a much more viable market that is sustainable for the rich.

Globalisation, he said, can bring about a lot of good to the poor countries. If the poor country try to raise themselves up by their bootstraps, the process and the pace would be slow that it would only result in their being left behind.

But if the rich with their money, technology and marketing knowhow were to invest in the poor countries, not only will the poor see big inflows of capital but they would also acquire the skills and technology to make quantum leaps to catch up with the rich.

Citing Malaysia as an example, he said a poor technologically deprived country can become industrialised through this process.

From being a country dependent on the production and export of only tin and rubber, it has now become a significant exporter of manufactured goods.

Today, 80 per cent of Malaysia's exports is made up of manufactured goods. The per capita income of the country has risen from US\$300 (US\$1 = RM3.80) to almost US\$5,000 before the economic turmoil of 1997-1998.

Dr Mahathir said as globalisation is a concept invented by man, it is not perfect. "As with every system invented by man, good can only come about if the system is properly understood and managed. This is because there are always rogue elements in human societies and they will always abuse the system to reap high returns, whether economic, social or political. To minimise abuses, all systems must be regulated," he said.

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