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Oligopoly threat from globalisation

MALAYSIA's economic recovery has been described as phenomenal. Increasingly its unorthodox policies are being given some recognition. Others still refuse to acknowledge their value and success. Hardev Kaur spoke with Prime Minister Datuk Seri Dr Mahathir Mohamad on the selective capital controls and the region's worst financial crisis.

Q: Malaysia was labelled a pariah, that it was cutting itself off from the world economy, that it was swimming against the tide, that it would be on its knees very soon. Now that the economy is recovering the very same people are saying that it is due to "good fortune" and they do not credit our actions and policies. Your comment.

A: Initially they didn't condemn us for doing something different. They criticised us as we criticised them and put the blame on them. We said that it was the currency traders that caused the crisis.

Eventually, of course, they tried to influence us into adopting what was called a virtual IMF but we found that it only worsens the situation. We then took the so-called drastic measures which are hardly understood even now. And they condemn us simply because it is not their idea. But they have had the opportunity to see that it works and now they are slowly changing their mind and not condemning us.

But still their reason for accepting our way of dealing with the problem is not quite correct because they still talk about the remedy prescribed by the IMF. That is secondary.

The initial cause were the currency traders and until now they are not willing to condemn the currency traders. Somehow they can blame the IMF, the World Bank and anybody else except the currency traders. But we insist that it is the currency traders who precipitated the crisis and so although we feel vindicated, we feel unhappy that they still cannot understand the reason for the crisis.

Q: Controls have worked. It's clear to see. Should Malaysia have done things differently in trying to tell its story?

A: We have been trying to do that but they turn a deaf ear to our explanation. They attribute our recovery to other things even though they acknowledge that the controls we imposed had a good effect. But they translate the controls into something else. For example, they mix up the controls on the exchange rate with the controls over the short-term capital moving in and out of the country.

But they are more concerned with short-term capital, but that is only secondary. What is important is the rapid fluctuation, the violent fluctuation of the exchange rate and because we control the exchange rate, we have regained control over the exchange rate. Other things can be directed (managed) including the inflow and outflow of capital.

Q: Wolfenson (World bank president) is reported to have said that Malaysia's recovery is due to the fact that we did what they told us to do. Your comments.

A: I have been told about this. This is ridiculous as they never told us to do anything. In fact, they practically supplement the action of the IMF. What happens is that the IMF destroys the economies and they come in and try to rescue and then grab credit for it. But, of course, we did not ask for their help and there was very little that they gave us. Even that was delayed and they tried to use it and force us to do certain things.

Q: If the (US hedge fund) Long Term Capital Management had not failed at

the time that it did, do you think the criticism against Malaysia would have been even more severe?

A: Well, I am quite sure they would have been on the high ground and talked down to us. But because of their rescue of the LTCM, they find that their moral ground is not as great. In fact, the bailout of the LTCM is worse than any of the bailouts that they accuse us of doing. Because this is a bailout by people who have invested money in the LTCM who are controlling the banks and are using the banks' money to help LTCM and in the end they will benefit themselves. This is the worse kind of bailout that you can think of.

Whereas here the government's bailout is because we are concerned for the workers, employees, thousands and thousands of them and they are not so much concerned about the entrepreneurs or the capitalists. The Government, if at all it can be considered as a bailout, is doing this in the interest of the whole nation. But when they bail out the LTCM it is in their own personal interest.

Q: Some studies show that the IMF rescue packages are to bail out creditors from the developed countries and not to help the poor developing countries.

A: That is very true. They make it out as if they are helping the country but in fact they are helping the creditors to get back their money. That is all. They are lending money to pay back the creditors. But at the same time, of course, because they are lending money now, these countries have to pay back the money; so it is just a transfer of one loan to another. That is all.

Q: What is the future of the Asian Monetary Fund (AMF)?

A: We think there is a future. We need to convince certain people. We know that there are certain outside forces trying to sabotage it. We know there are some people inside also who are working together with outside forces to shoot down this idea probably because these people do not need the money and it may affect their own roles. But the AMF is very essential for developing countries in the Asean region.

Q: How prepared is Malaysia for the next crisis? It will happen, it is a question of how, when and in what magnitude in this world of IT and globalisation. What lessons have we learnt, if any?

A: We have learned a lot. We have in fact anticipated quite a bit. For example, when the dotcom companies appeared on the scene we had already seen that the increase in share value represents a bubble that sooner or later is going to burst, although we did not expect it to burst so soon. Now the bubble has also destroyed (George) Soros and this is some kind of justice for him. But we have to examine everything that is proposed to see how they will affect us; if not, we will again be caught in the same position as accepting short-term capital to be invested and allowing our money to be traded.

Q: There are a lot of companies in the US and Europe that have started buying in the cheap sales in South Korea, Thailand and, to a certain extent, even Soros has started investing in Indonesia. Will that change the economic landscape and how do we deal with that?

A: Well, it is part of a much bigger picture. The whole idea of bringing down borders is to enable the very rich capitalists to take over most of the economies of the world and, of course, the IMF has managed to prise open many of these countries.

With globalisation and mega mergers we are going to see even greater activity in this area. The attempt will be to have an oligopoly in which a few companies, a few banks, will control the economies of the whole world.

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