

Let developing nations redefine new concepts

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**Dr. Mahathir's
World Analysis**

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DURING the United Nations Conference on Trade and Development in Bangkok, Malaysia related once again its experience in dealing with currency trading and its views on new ideas such as globalisation, a borderless world, liberalisation and the free market.

All these things which are said to be good for the world, can bring a lot of harm unless redefined and the stages of development of different countries are taken into consideration.

It is these concepts are invented and interpreted by the developed countries for their own good. We are therefore asking that the developing countries be allowed to reinterpret them so as to ensure that the benefits are evenly shared between the rich and the poor.

Indonesian President Abdurrahman Wahid made a speech off the cuff, after I made my speech. He made many references to the matters I brought up. He openly said that Indonesia is weak and is under the direction of the International Monetary Fund.

He is not in a position to do anything but to take orders from it. Even though his country has no say against such a powerful organisation, he said that his country and his people will maintain their dignity. That is why he said that the role of Unctad is very important.

It brings together the big powers and the small countries. Indonesia had a similar experience to those of other Asian countries during the financial crisis, perhaps they suffered even more from the new ideas, like the free flow of capital across borders, which are part of globalisation.

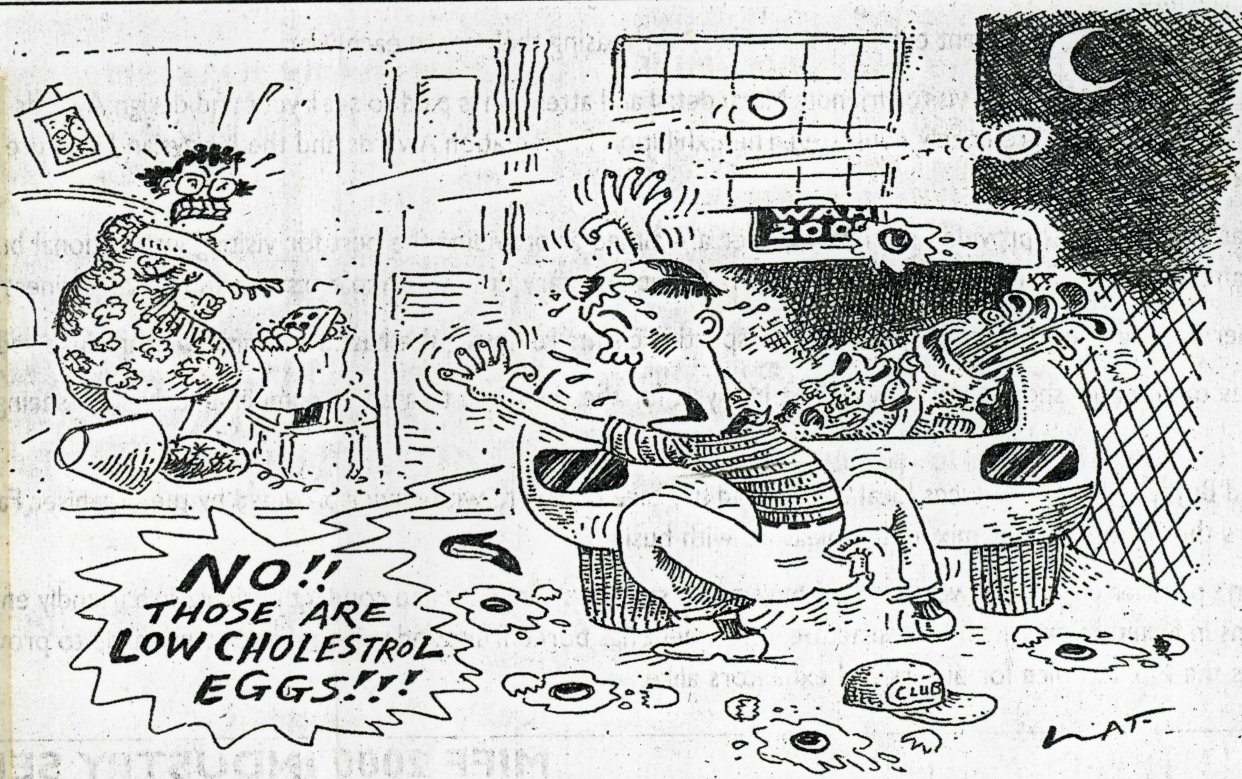
At the Unctad meeting, we managed to expose further the harm that these new concepts and ideas can do to the small economies. This time the response was quite good. Many leaders and officials were not only interested but also gave open support and repeated the points that we made. To that extent Unctad was a success.

It is clear that the developed countries were shocked and bitter over the violent protest against globalisation and free trade at the meeting of the World Trade Organisation in Seattle, Washington.

If this had happened in a developing country, they would have said that it was

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due to the usual ignorance and emotional reaction of the people in such countries. But this happened in one of their own countries and involved many of their own people. They cannot ignore such opposition. In addition to this, many influential people well-versed in economics and other disciplines have come around to accept that free-trade and globalisation may not be the best thing for the world and that there can be other ways of tackling economic problems and these can also work.



**NO!!
THOSE ARE
LOW CHOLESTROL
EGGS!!!**

When we implemented our idea of currency controls, we were condemned by all. We were told that it would not work and that it would bring about economic disaster for us. But we have proven that it can work and now many are using it as an example of how to resolve financial and economic problems.

There are some who say that we would have recovered anyway as we implemented our controls just when the recession had bottomed out. If we look at the back issues of the great economic magazines of the West we would see that they were predicting further regression of the economies of East Asia at the time we imposed our controls.

If there was recovery at that time it was because the currency traders and others feared that any further devaluation may push other Asian countries into doing what Malaysia did. In fact the fear was actually expressed that other countries would follow in Malaysia's footsteps.

This would be disastrous for the currency trading business. They quickly stopped devaluing the currencies of East Asian countries, thus allowing these countries to recover together with Malaysia.

Besides the IMF decided to relax its conditions and allowed its client states to reduce interest rates and ignore its instructions to have a budget surplus.

Cronyism and corruption did not result in currencies being devalued. These practices had been there all the time and did not prevent the East Asian countries from growing economically. The devaluation of the currencies was entirely due to manipulation by the currency traders.

Cronyism and corruption are found everywhere and are more rampant in the developed countries. The bailing out of the American Long Term Credit Management Fund is a good example. But beyond that the powerful countries use their influence on crony countries and client states, in order to get contracts for their companies and also to get them to support their policies internationally. This is cronyism and corruption at the highest level.

The West likes to use the phrase level playing field. They ignore the fact that even on a level field, if the teams are not evenly matched, it is far from fair. If you make adults play American football against little children from developing countries, the children will never win.

The level playing fields are invented by the rich countries to legitimise unfair competition. The international Press which they control then try to justify the fairness of a level playing field.

Even the developing countries have to use the Western media as their own news agencies cannot cover world events. As a result the slanted views of the West are aired everywhere. **What truly happened during the currency crisis in East Asia has never been correctly reported.** Control of the world media by a few ultra rich individuals from the West is unhealthy and undemocratic. I met the WTO secretary-general Mike Moore. I heard from other countries that there would be no ministerial meeting of the WTO this year, so there will be no progress in trade negotiations.

He says that he is making an effort to get people to better understand the WTO and

its objectives. But people are not ready to accept the ideas which are being pushed by the WTO.

The practice of holding a meeting that is not open but is confined to a few countries is objectionable. At these meetings small countries are not heard, except perhaps those under the influence of Western capitalist countries. **We believe that globalisation should be reinterpreted.** Why is globalisation confined only to the flows of money, and the rights of companies to operate worldwide without restriction?

Why are these companies merging and acquiring other corporations and becoming so huge that it looks like the world will have only a small number of companies and there will be oligopolies in all industries and businesses?

We fear this because they are so big and powerful that they will operate like the seven sisters in the oil industry did prior to the creation of the Organisation of Petroleum Exporting Countries when they controlled the world market and determined the prices.

They kept the oil producing countries poor by paying them only 20 cents for a barrel. The rich world burnt the fuel furiously as it was so cheap.

We feel that globalisation is being used as an excuse to do away with national economic activities. They will one day force the national stock exchanges to close down and replace them with one stock exchange based in Wall Street. Internet stock trading has shown that this is possible.

Every business activity will be controlled

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by very powerful companies controlled by the rich. **They do not mind losing money in a small country because they can make money in other places.**

If national companies or banks lose money that will be the end of them. The big international companies can then buy national companies cheaply. We are now supporting former Japanese Ministry of Finance Vice-Minister for International Affairs Dr Eisuke **Sakakibara** in his bid to run for the IMF managing director's post.

The IMF, in our view, hasn't done a good job. It is too rigid and Eurocentric. It is not looking at the world as a whole but from the view of Europe or America.

It cannot understand Asian ways. **For the IMF there is only one way.** We need to have a person with a broader world view, not confined to just one ethnic group. We need a person who can accept that different people have different ways of doing things.

Sakakibara has enough experience. He has a Western education and is very familiar with Europeans and Americans, as well as Asians. He is holistic in his view point, and does not confine himself to a narrow need.

I know it will be very difficult for him to get the position, because the way international civil servants are chosen is not democratic. We don't have a say in the IMF or the World Bank simply because we are weak.

There is a lot of talk about democracy. However, when it comes to international organisations like the United Nations one vote from one country doesn't count.

In reality, only five countries decide what to do. This is supposed to be a democratic organisation, but it is really an oligopoly. Only a few people run the whole show. However these same people condemn others for not being democratic.

During Unctad, I had a chance to meet Asean heads of state. I was surprised when Singapore Prime Minister Goh Chok Tong strongly proposed that East Asian countries should have a formal organisation, not just a periodic conference.

We should have a formal organisation like the North American Free Trade Agreement or European Union even and hold regular meetings. We need to look into our common problems especially in our relations with groupings like Nafta and the EU.

When Malaysia proposed the East Asia Economic Group, Japan was very reluctant to support it. I believe this is because Japan does not want to be accused of trying to revive its Greater East Asia Co-prosperity Sphere, proposed during the Pacific War.

The Japanese people are very sensitive about this War and seem to feel perpetually guilty. They are always apologising for the War.

The EAEG reminds them of this East Asia Co-prosperity Sphere and Japanese imperialism. China and Korea also remember this and yet China is supportive of the EAEG.

I should remind Japan and everyone that the EAEG is not a Japanese creature. It is an idea proposed by Malaysia. There is no need for Japan to feel guilty about reviving a wartime objective.

Similarly Japan should not be reluctant to play a leading role in Asia. We have only Japan as a member of the G-7. If Japan does not champion us then who will?

In Europe, Germany took the initiative in forming the EU. Germany is the strongest partner in the EU. Even in finance, the Bundesbank determined the exchange rate, the progress toward the Euro currency.

Yet Germany hasn't apologised about the last war, not even to Israel. So, Japan can do the same. Japan was misled by the Japanese militarists, which had an ambitious plan to dominate us.

Just as the Germans blame the Nazis why can't Japan blame the militarists? However, Japan must not deny what it did during the war. Japan has to teach the real history to its young generation.

But the world cannot penalise forever this generation of Japanese because of what was done by their parents or grandparents 50 years ago. If we looked at our history that way, our relationship with our neighbours

'Sufficient indicators to help foresee economic downturns'

□ FROM PAGE 14

will always be bad. Malaysia cannot have any dealings with Thailand or Indonesia, because we once fought against them. But we are friends now.

During the meeting between the Japanese Prime Minister Keizo Obuchi and other Asean leaders, we gave our views to him so that he could bring them to the attention of G-8 leaders at the Summit meeting to be held in Okinawa.

We pointed out that the G-8 had in the past made decisions which affected the economies of smaller countries adversely, for example the revaluation of the Yen. The debts of many countries doubled as a result.

Some of us also stressed the strong need for a regional fund. I supported this idea of an Asian Regional Fund. We do not believe that such a regional fund would affect the IMF or the World Bank.

After all the Asian development Bank and other regional development banks had not affected the World Bank. The idea that there should be only one fund for the whole world is without any sound basis.

If there is enough money available we can have several funds. Such funds should be used to help countries in financial trouble. It should not be for promoting any country's political agenda.

When a country has real financial problems, it may be due to bad management, or too much foreign borrowing, or poor performance by the world's economy which affects exports, etc.

At that stage, the fund can come in, and the fund managers can advise on how to resolve the problem. The advice should not be standard like that offered by the IMF.

I think we have the capacity to do that. We have enough experience. We can prevent countries from going under. Because we believe that failure of any country in the

region can affect the whole region, we must come to the rescue immediately.

We must recognise the signs of impending recession and try to prevent it. There are sufficient indicators to help us foresee economic downturns. We should have our own people, interacting together. Then it will work.

The fund itself should be subscribed to by all countries, according to their ability. I wouldn't like this fund to be too closely associated with Japan. Therefore, it should be located in another country. That way, people will not say it is Japanese fund but a regional fund.

If the fund is located in a developing country it will help the economic development of that country. The fund will draw a lot of activities, including a lot of visitors to the country.

Some people now say that as it has been 1½ years since we introduced the currency controls and they have worked, we should lift the controls. But the international community has not formulated a new financial architecture to curb currency manipulation by the currency traders. If we lift the controls, our currency will again be at risk of wildly fluctuating exchange rates.

We are not going to change the ringgit's exchange rate according to our whims and fancies. This is not good for business. A steady exchange rate lowers cost by making hedging unnecessary.

It also helps business budgeting. Only when it is absolutely necessary will we change the exchange rate of the Malaysian ringgit.

□ *This is the 14th instalment of a monthly column of commentary and opinion by Prime Minister Datuk Seri Dr Mahathir Mohamad which appeared in Japan's Mainichi Daily News yesterday. The copyright for the article is held by Mainichi Daily News.*