

**KEYNOTE ADDRESS BY  
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It is my pleasure to join Mr Simon Tay, the chairman of ASEAN-ISIS, in welcoming all of you, from far and near, to this Asia Pacific Roundtable. As some of the regulars present here will note, I am as much an addict of this annual event as some of you are. I have attended as a participant several times. It is a great pleasure to be the keynote speaker today.

This morning I would like to present some thoughts on the salient challenges facing the Asia-Pacific region and the world. First, is the current phase of globalisation, and its profound impact on our security and well-being. Second, I would like to discuss the question of leadership and freedom in an increasingly globalised world.

We in the Asia Pacific I think, are among the most qualified to speak on these subjects. We have enjoyed the best of globalisation, and also suffered some of its worst consequences. Similarly, many countries in the region are grappling with political transitions and problems concerning nationhood. Having experienced economic turmoil and political change first-hand, I believe it is time for us, especially from those affected countries, to exchange thoughts on how to best prepare ourselves to face an uncertain future.

Ladies and gentlemen,

There is obviously much that is good in globalisation. The freer flow of goods, services, funds, ideas and information has very often brought enormous benefits to our peoples. The beneficiaries have been both those in the developing as well as developed economies. East Asia has seen the most dramatic rises in wealth in the last half century, in significant part due to its integration into the world economy. My country for instance, and our neighbours Thailand, Singapore and Indonesia, grew annually between 6.3 and 7.7 percent in the two decades up to 1997. We, in East Asia, have been the world champions of growth, recording rates never before achieved on a sustained basis. We could not have done it without the help of certain critical aspects of globalisation. The massive flow of foreign direct investment that began in the mid-1980s and an open international trade environment which allowed our exports to grow, resulted in rapid industrialisation and modernisation never before seen in our countries.

In the developing economies of East Asia, our increased wealth was used for massive human development. We saved ferociously, we invested productively, we spent on health and other services, we built infrastructure. Some of us launched massive projects to generate jobs and income which would reduce economic and social inequities. In my country, per capita income grew more than 4 percent a year between 1980 and 1996. We reduced the number of absolutely poor people by nearly two-thirds between 1980 and 1995. We improved the gini coefficient significantly as well, from 0.49 to 0.45. Until the crisis hit us beginning mid-July 1997, we effectively had full employment, with an unemployment rate of just 2.7 percent - fortunately for us, we have re-established full employment once again.

We gained in other ways too from globalisation. We receive instantaneous news of developments around the world, in real time, from satellite communication. Vast stores of information and treasures of knowledge are accessible on the internet. We are enriched by cultural exchange and exposure through film, music, media and travel. Chinese, Thai and Japanese cuisine flourish abroad, even as American and western food penetrate their lands. This international coalescence of culture cannot be underestimated. Globalisation has helped facilitate democratisation directly through the spread of ideas and values. Except in the most authoritarian and closed societies, it is no longer possible for states to monopolise or control information as they all once used to.

We have all been enriched as never before by good globalisation. What is more, for those of us who are better able to exploit the opportunities that globalisation promises, and for those of us who can transform into knowledge-driven economies, the best is yet to come. Countries that are able to move up the value-added chain by becoming more competitive and productive, more creative and innovative, and more efficient and resourceful will be the winners in a globalised world.

Yet, ladies and gentlemen, globalisation has not been all good for the security and well-being of the peoples and the nations of the region, or for those elsewhere for that matter. In some respects globalisation in fact places our well-being and security at great risk. And while there may be winners in a globalised world, it looks as though there will also be many more losers. Unless we manage this process and respond to its challenges much better, I am afraid some of humanity's fundamental interests may be greatly undermined.

Let me elaborate, and begin with economic and human security. Global capital markets, especially currency, short-term portfolio investment and short-term loans, are extremely volatile and destabilising, and can be very destructive, as the recent financial turmoil in East Asia starkly demonstrates. According to one international business magazine, the currency mayhem cost East Asia US\$3 trillion. While this may be an inflated figure, the region, most certainly, lost a massive portion of its wealth. And even if recovery is firmly in place now, it will take several more years before the human impact will be fully reversed. More than 13 million lost their jobs and unemployment figures rose sharply. Real wages declined steeply, and the ranks of the poor swelled markedly. School dropout rates rocketed in some countries. Millions have lost a year or more of their schooling life. Some have lost it forever, with devastating personal consequences for themselves, and grave future consequences for their nations. Severe strains were placed on the economic, social and political fabric of the affected nations. Indonesia, effectively constituting one-half of South East Asia, was the worst hit. According to Indonesian sources, one in every four Indonesians had fallen below the poverty line by December 1998. It is still reeling from the after-shocks of the economic, social and political implosion.

It is now universally recognised that there are genuine and serious systemic flaws in the global currency system and the way that it functions. Listen now, for example, to the words of Michel Camdessus. It is unfortunate that when he was in charge of the IMF, he was less focussed and less clear, oblivious to what was plainly obvious to many who had suffered from the fickle and fleet-footed movement of hot money. Witness also the retirement of erstwhile hedge fund gurus and the closure of the tigers and the quantum of the global casino business. It is unfortunate, however, that instead of doing something about the flaws that are now universally recognised and lamented, all that we can now do is talk vaguely about "architecture". It seems

as though we will need to wait for another global currency disaster before the powers-that-be can be expected to progress from talk of architecture to concrete, decisive action.

The negative impact of bad globalisation on economic security does not end here. Look at the widening gaps between the haves and the have-nots that bad globalisation engenders, and the higher odds it places in the paths of the disadvantaged as they seek to redress their condition. In this regard, this phase of global integration is no different from those preceding it. The income gap between rich and poor countries grew from 3 to 1 in 1820 to 7 to 1 in 1870 and 11 to one in 1913. In 1930 the income gap was 30 to 1, in 1990 60 to 1, and in 1997 74 to 1. In the present phase, only East Asia has recently been able to close the divide. But even in East Asia, there is great differentiation. And the gap between rich and poor is growing not only between countries but sadly, within countries too.

In this era of globalisation these and other associated inequities can be expected to become even more entrenched because of a number of factors inherent in the globalisation process. The laissez faire, amoral global market has become more dominant than ever. It defies the making of profit and is concerned with little else. The state is in retreat, forced by the logic of brutal economic efficiency and the profound political and social transitions that have had to be made to adjust to the revolutionary changes. Global institutions are dominated by the rich and the powerful. Their vested interests condition the rules of the globalisation game and determine its agenda. In the face of all this, except for the valiant few, the weak become weaker, and the poor poorer.

Even the supposed level playing field of the virtual world in which the internet promises to deliver information to anybody, anywhere and at any time, means nothing to a majority of the world's population. While the world wide web represents a treasury of knowledge released at the click of a mouse, access is by no means cheap - consider, for example, that it would cost the average Bangladeshi more than eight years' income to buy a computer, whereas it would cost the average American just one month's wage. And what would this repository of information in which more than 80% of content is in English, mean to 90% of people worldwide who do not speak it? The internet may be a boon to those with access and connectivity, but sadly, I believe, it will drive the wedge dividing the global haves and have nots deeper.

Ladies and gentlemen,

The knitting together of economies, polities and societies that is at the heart of globalisation is eroding the power of the state everywhere. None are excluded. The state's powers are circumscribed by global and regional institutions and their rules from above. It has lost much of its control over information at home except in the most closed and authoritarian systems. Its borders are penetrated by transborder economic networks. And the market, the powerful transnationals, and the international and local NGOs of diverse persuasions and interests all intrude into what was the domain of the state.

This forced rollback of the state is extremely alarming, especially for many of the weak states of the developing world. The more developed states have, over an extended period of development, managed to achieve the desired goals of political stability, social cohesion, institutional resilience and territorial integrity. They are

economically strong, technologically advanced and militarily superior.

Weak states, on the other hand, are still struggling. many are not even at the nation-building stage. They are only at the stage of basic state-building. Even those that inherited a state structure from their colonial past are in the delicate stage of forging cohesive national identities. They suffer from a lack of internal cohesion caused by great economic and social disparities and major ethnic and social cleavages. Many have contested state boundaries and fragile institutions. They are susceptible to internal and inter-state conflicts, and they are easily permeable to external actors, be they more developed states, international institutions, transnational corporations or aggressive NGOs. The weakest are marginalised, especially in relation to decisions on the great international issues affecting their interests.

Bad globalisation impacts upon state sovereignty in other ways too. The internet, in its present configuration, conceals within its dark recesses powerful forces of destruction even as it informs, enriches and empowers. The simple love bug penetrated the firewalls of the world's most technologically sophisticated systems and dealt these networks a fatal cyber kiss of death. The US Department of Defense, the White House and National Security Agency were all blitzed. In 1999, viruses did damage to the tune of an estimated USD 12.1 billion. The havoc wreaked by the love bug and its variants alone is estimated to finally cost as much as USD 10 billion across the globe. If, as expected, viruses become ever more powerful, the financial and other costs could eventually become prohibitive. No nation, no business and no individual is safe from this cyberterrorism.

The internet with the anonymity and penetration it affords is also an excellent medium for covert propaganda attack, psychological warfare, political and cultural subversion, incitement, agitation, disinformation, rumours and lies. Technology-superior states can also cripple the defences and economies of victim states at will, again placing the developing states at a disadvantage.

The internet does not discriminate and it is morally blind. Even as it facilitates trade and legal financial flows, it is an easy and convenient vehicle for trafficking in illicit drugs, weapons, women, children and laundered money. It also purveys a large bevy of lewd and vulgar content. One Australian estimate is that more than 50 percent of all revenues generated by e-commerce today is for the purchase of pornographic materials.

Globalisation has made diverse cultures accessible through the global media, entertainment industry, travel and trade. But it has also bred cultural insecurity among non-western societies by inundating them with the dirtiest and least valuable and uplifting aspects of western culture. In some societies, the potential breakdown and supplanting of indigenous culture is very real. This, in turn, will breed narrow-minded reactionary groups to emerge in non-western nations, promoting extremist views and even the exploitation of religion for quick political mileage. The effect of such radical, fanatical and immoderate groups on the nation-building process of weak states can be extremely devastating.

Ladies and gentlemen,

In light of the serious problems which I have attempted to highlight, there needs to be a reassessment of political leadership, both within nations and among nations. For

us to successfully navigate our countries, our region and the world through the perilous waters of globalisation, the digital revolution and the free market, we need to first unshackle ourselves from dogma.

Many have referred to the 20th century as the age of freedom. Certainly there is merit to this. Countries were born - independent from imperial domination. The politically disenfranchised were given voices and the vote. And despite the inequalities, many people gained access to clean water, sanitation, health care and education.

Freedom, in these instances, has instrumental value. It was valued for what it can do to uplift the lives of millions and uphold the dignity of nations. It was a means to an end. Increasingly, however, freedom has become an intrinsic value - desired in itself.

The dominant view today that values freedom intrinsically asserts that the ultimate end goal of human development is the promotion and preservation of the maxim 'free men and free markets'. It is this ideology that drives the Washington consensus; it is the guiding principle of international financial organisations; it is the unspoken motto of the industrialised economies; and it is the theoretical underpinning of the unfettered webpages of the internet.

To deviate or challenge this dogma is heretical. Malaysia, as many of you know, was burnt at the stake of international opinion when we pursued our own course of economic recovery. We were vilified, ostracised and shunned by the world which was duped into believing the promises of the so-called liberal dogma.

At the heart of Malaysia's defiance is a fundamental lesson for the global community. We do not have to blindly follow the tide of liberalism. We do not have to cherish freedom intrinsically. And we, in the developing world, are much better equipped and informed to handle our own problems without asking for third rate help from third rate dogmatists.

The irony of this supposed age of freedom is that some sovereign governments are left with little freedom to lead. It is unfortunate that some leaders cannot even voice an idea without having his officials and aides strenuously denying it for fear of retribution from certain international financial institutions.

Do we have to value freedom so much that it prevents governments from independently deciding on what to do? Do we value freedom so much that it renders the people's representatives impotent? Do we value freedom so much that it overrides national security and the process of nation building?

The freedom of the internet is cherished and lauded. The liberals will have you believe that any restriction to the flow of the internet is an affront to the spread of knowledge. And yet we have seen the destruction wreaked by the love bug and the hacking of popular e-commerce portals. We have seen how blueprints for making bombs can be downloaded on the net. We have seen the anomie that has affected the cyber generation hooked on destructive web games. Even the so-called bastion of freedom - the United States - has begun to talk about security and control on the internet.

But it seems governments are powerless to do anything about this. The mere mention of restricting the internet is met with a chorus of condemnation and

censure. Is this freedom, when governments cannot even voice their concerns? The internet is the latest phenomenon that has forced us to be free. We have been forced to accept the free market. We have been forced to accept the primacy of the individual's rights. We have been forced to obey the freedom of speech, however subversive the voice may be. We are forced to be free, but this freedom has enslaved us. The liberal dogma has chained us to one path of development, one model of democracy and one form of culture. We are not even allowed to question its applicability to our societies.

I do not want to be misunderstood as standing in the way of freedom and democracy. But I want to state clearly that we should not be enslaved by this liberal dogma. Freedom and democracy must have instrumental value and serve to provide peace and prosperity. Without peace there can be no prosperity; without security, stability and sustenance the freedom to shout at the top of your voice means nothing.

Ladies and gentlemen,

It must surely be in all our interests to ensure the rise of good globalisation and to contain and manage the advance of bad globalisation. For globalisation to work better, for the benefit of all, across nations and within nations, I think there are several fundamental prerequisites.

First, I think we must be resolved on spreading the benefits of globalisation more widely and more equitably at home and globally. We cannot leave the majority of humanity effectively outside the process, or situated at the grossly disadvantaged end. They will eventually turn against globalisation, and their wrath will be telling. There will be increased unrest, violence, crime, migration, and an assault on the instruments and institutions that perpetuate gross inequities within nations and globally. As we see from the violent protests in Seattle to Geneva to London, from Thailand to New Zealand, the turning has already begun. We need to put a human face on globalisation.

Secondly, there should be better regulation of financial markets, especially currency markets, so that the "wrecking ball" of extreme volatility can be checked.

Thirdly, we must approach liberalisation more sensitively and sensibly. premature liberalisation of capital markets is what got some of the East Asian economies into massive trouble. Liberalisation must proceed in tandem with the strengthening of domestic financial institutions, regulations and rules.

Fourth, we must disabuse ourselves of double standards. Democracy, transparency and accountability cannot be preached, but denied on the global stage. International institutions like the United Nations, the WTO and the IMF are anything but democratic or transparent. These qualities are as relevant and as essential in global governance as they are in domestic governance. The developing countries must be accorded an equitable presence and participation in the important global economic processes.

Fifth, we need to adapt our domestic and international governance systems to function more effectively in a globalised environment. International bodies, governments, multinational corporations, the private sector and civil society need to be integrated and engaged in productive ways to better address and manage the emerging challenges.

Sixth, we must not bind ourselves to any dogma. We must free ourselves from narrow precepts, open our minds and challenge prevailing assumptions. Most importantly we cannot be servile to the changes happening in the global community.

If we can agree on some of these imperatives, I think we will be better equipped to tackle the challenges that globalisation poses to national, regional and global security and well-being. As yet there is great inertia to tackle these big problems. It is for forums like yours to help move the reluctant, to free the world from narrow ideologies and to build the momentum for global action. Thank you.