

THE OPENING OF THE 7TH SUMMIT LEVEL MEETING OF THE GROUP OF 15

MINES RESORT CITY, SG. BESI, SELANGOR, 03 NOVEMBER 1997

1. It is an honour and a privilege to welcome leaders of the G-15 and their respective delegations to Malaysia, for the Summit of the Group of 15. It was here in Kuala Lumpur in 1990 that the G-15 was born.
2. I sincerely hope that your stay in Malaysia over the next few days will be pleasant and rewarding.
3. It is a special pleasure today that I am able, on behalf of all my other colleagues, to extend a warm welcome to Kenya into this Group of 15. We attach much importance to Kenya's membership in the G-15 and we are certain that Kenya would have important contributions to make and be able to strengthen our Group.
4. We meet again today in the Seventh Summit of our Group to rededicate ourselves to the cause of South- South cooperation. I am a great believer of cooperation for mutual benefit among all countries, especially among countries of the South, so many of which have for so long been deprived of any real benefits from their international economic and political relations.
5. In fact, for some time now, Malaysia has been promoting the benefits of a prosper-thy-neighbour policy. We do this because we have been made to realise that a neighbour which is prosperous is a peaceful and friendly neighbour. In the context of the G-15, we would wish to suggest that we extend this prosper-thy-neighbour mindset across regions and continents. Besides, in a globalised world we are all neighbours. We can only increase our trading and other economic relations if we are all prosperous. Poor countries make poor trading partners. Therefore it is imperative that we assist each other to become more prosperous.
6. The marvels of modern technology have brought countries in the world so close to each other. The globalisation of trade and investment are realities we have to contend with. We cannot exclude ourselves from the process of liberalisation of trade and investment practices. While we should accept the removal of barriers to trade between nations, we should also strive for order in the conduct of trade and commerce for the whole world. An anarchic world trade system, a system in which the strong takes everything for themselves, may result in our losing whatever little we had gained through our recently acquired independence.
7. I would like to take this opportunity to relate to my colleagues in the G-15 some painful experiences we have had in South East Asia in recent months when -- in the name of free trade -- some currency speculators wreaked havoc and impoverished our economies.
8. In Malaysia and in other countries of South East Asia, we spent decades of sweat, toil and tears since independence to develop our countries and grow our

economies. Our countries recorded the highest growth rates continuously for many years. But all these seems to have come to nought when, in the space of a few months, currency traders impoverished our countries merely by devaluing our currencies. The International institutions in which we had placed our trust claim that they are powerless to act against these traders. The rules of trading are devised solely by the traders and these rules have been designed to benefit them. Thus for every dollar that they deposit, the bankers allow them gearing of 20 times. Since the funds at the disposal of these traders run into billions of dollars they have more money to play with than the reserves of most developing nations.

9. Currency devaluation may be caused by certain weaknesses of a country's economy. Weak fundamentals are often cited as if these can mysteriously on their own weaken currencies. The truth is that currencies weaken only if currency traders sell them for US dollars. These traders are not doing so to save their investments. In fact they have no investments in our countries. What they actually do is to borrow the particular currency from foreigners or locals and then sell this currency for US dollars.

10. According to their own currency trading rules, every time they sell a substantial amount of the currency, the value depreciates by a certain percentage. By selling repeatedly the currency is depreciated. When sufficiently depreciated the traders buy back the currency to deliver to the buyers they had sold to initially at the higher price. Naturally they rake in a profit from this operation.

11. They can do this with any currency, causing the currency to depreciate and earning huge profits for themselves. We have now seen how even the strongest currency of the countries with the strongest economy can be made to depreciate. The oft-repeated loss of confidence is nothing more than an excuse to launch an attack and make profits.

12. The target must be the currency of the countries with a degree of prosperity. It is significant that poor countries have never incurred a loss of confidence on the part of these traders. As a result when attacks are mounted on the currency of a prosperous country, it actually depreciates against the currency of poorer countries. If indeed loss of confidence or bad fundamentals are the causes of currency depreciations, then surely it is the currency of the poor countries which should depreciate. That they do not simply means that the depreciation is artificially contrived.

13. This deliberate devaluation of the currency of a country by currency traders purely for profit is a serious denial of the rights of independent nations. Devaluation impoverishes as it reduces the purchasing power of the country concerned, as well as the incomes of the people, rich and poor alike. It leads to inflation and economic regression. It negates many years of hard work and sacrifices.

14. On the other hand the currency traders make billions of dollars of profits and

pay absolutely no taxes to the countries they impoverish and make profits from.

15. By any measure the present system of currency trading is unethical and unfair to the countries attacked. If we are going to accept globalisation then there must be a fair system of trading, whether it be in goods and services, shares or currency. Market forces by themselves cannot determine that the rules and regulations will be fair to all. Since the beginning of time market forces by themselves have been exploitative. Thus a few bottles of whisky was the price paid for Manhattan Island and glass beads were traded for valuable goods and treasures belonging to the indigenous people, the simple and trusting natives.

16. A world trading system cannot rely entirely on market forces. It is time that we draw up fair rules for the market place. If we don't then the fight for independence will have to begin all over again for the present market rules will surely result in a new imperialism more noxious and debilitating than the old.

17. As we had in the past, the G-15 should continue to maintain direct, effective and regular consultations between the developed and developing countries on global macroeconomic policies. Without clear definition as to what is meant by globalisation we may find ourselves disadvantaged and helpless, as it is often quite impossible to make corrections after the facts have been created. Again I would like to refer to currency trading in which we had no say and we now find it impossible almost to correct the system even when it is clearly to our disadvantage.

18. At the last WTO Ministerial Meeting in Singapore, the G-15 Trade Ministers worked together with beneficial result. We should now look ahead towards the WTO Ministerial Meeting in 1998 in Geneva and request our Ministers to once again engage in consultations prior to that Meeting. I am convinced that the G-15 can play an effective role in negotiations with the developed countries.

19. Two years have now passed since the Singapore meeting and it cannot be said that the WTO has brought the benefits that the developing countries had a right to expect. On the contrary, disturbing trends have begun to surface. We face the threat of unilateral action, the denial of developing status and virtually little liberalisation in the trade in textiles, garments and commodities. We may also be caught in the emergence of new restraints, dubious anti-dumping actions and imbalances in services trade. Systems of trading conceived before the WTO and largely unknown to developing countries have now become entrenched and little sympathy is shown to complaints that they are detrimental to the economic well-being of developing nations.

20. When we talked of direct foreign investments and the need to open our countries to them we were thinking of the setting up of job creating and export oriented industries. We failed to make a distinction between long-term investments and short-term speculative hot money investments. Now we know how damaging the investments in our share-markets can be. After pushing up share prices to ridiculously high levels, foreign investors simply dumped the shares and collected high capital gains. Local investors are left with almost

useless shares valued much below the bank loans raised to buy them. Many became bankrupt and the companies themselves face the same threat.

21. It is far better for us to invest in productive capacities in our own and other developing countries than to depend on hot money inflows into our countries.

22. The South, as we well know, is made up of countries at various stages of development and enjoying various levels of prosperity. Official Development Assistance (ODA) is still an important component of the National Budget of many developing countries. ODA flows must therefore continue with respect to those countries still in need of it.

23. The debt problem continues to plague some of us in the South. We welcome the agreement reached last year by the IMF and the World Bank on the Highly Indebted Poor Countries. For many of the highly indebted countries the only solution is an unconditional write-off of their debts.

24. Another reality that we are confronted with today is the Information Age. Recent advances in Information Technology have been so phenomenal that it has become difficult to keep pace with them. Yet we must recognise that the Information Age is set to descend upon us all in the not too distant future. We must be given time and some support in order to adjust to a whole series of possibly disruptive changes.

25. To cope with the Information Age and advances in Multi-media, Malaysia has launched the Multimedia Super Corridor (MSC) -- an area 15 km by 50 km stretching from Kuala Lumpur to the new Kuala Lumpur International Airport. The MSC will be a test-bed for the development of the various Information Technology applications. While we expect Multimedia companies from the developed countries to avail themselves of this test-bed, we do know that countries such as India, Indonesia and others have made advances in this field and have their own projects. We hope that the countries of the south would also make use of our MSC.

26. The G-15 exists for a number of unique reasons. It is one of the few economic groupings of developing countries which is trans-regional in scope. Amongst its members are some of the most dynamic developing countries in the world. We can choose either to make use of this potential or let it go to waste. What we cannot afford is to be complacent in this fast globalising world. We in the South need to set our sights upon new horizons, venture into non-traditional markets and forge multi-faceted links and partnership among ourselves. This meeting of ours in Kuala Lumpur provides a timely opportunity to take stock. We need to redress our inadequacies. We need to consolidate our potentials. Let us not allow the challenges that we face cloud our visions for tomorrow as we advance into the coming millennium.

27. It is now my pleasure to officially declare open, this Seventh Summit of the Group of 15.