

THE NIHON KEIZEI SHIMBUN INTERNATIONAL CONFERENCE ON " THE FUTURE OF ASIA "

TOKYO, JAPAN, 6 JUNE 1998

FUTURE OF ASIA IN A GLOBALISED AND DEREGULATED WORLD

One year ago it was so easy to talk about the Future of Asia. One needs only to trot out figures regarding growth, the areas of growth, the relative growth rates of the different countries of Asia, when the countries would qualify to join the OECD countries and when they will graduate and become developed countries.

2. Today predicting the future of Asia is more difficult because in the space of a few months, the Asian countries in the East have shown that they have clay feet, that under pressure they can all collapse and become beggars, appealing for aid from International Institutions, promising to discard their evil ways, which had lead to high growth and low inflation. If they fail to do this, worse still if they dared to argue that their economic turmoil is not caused by them and them alone, then their economies would suffer a worse degree of economic recession. This is because such recalcitrance will cause a greater loss of confidence among the market forces and when their confidence is lost, then the economies of the recalcitrants must suffer.

3. This is perhaps strange in a world which talks incessantly about the freedom of speech, about human rights. It is even more strange that millions of people being made jobless and destitute does not arouse the sympathy of the exponents of human rights. Their response this time is simply to point at the Governments of these countries and accuse them of a variety of social crimes. That for 40 years these self-same Governments had developed their countries and created millions of jobs for their people was dismissed as the ill-gotten gains of their corruption.

4. Now that they have been made aware that their ways and past performance were bad and unacceptable and that they had lead to a loss of confidence on the part of market forces, they are expected to carry out reforms quickly.

5. The reforms are spelt out by International agencies and the media and their implementation is crucial for confidence to return and the economy to be rehabilitated. Backing these institutions are the major economic powers who had contributed to the funds for the rescue of these countries. The G-7 at its recent meeting in Birmingham, England clearly express their expectation that the Governments of the distressed economies of East Asia would heed the IMF's directives if they want their countries' economy to be restored.

6. What are these directives that are expected to restore the economies of Asian countries to their former levels of prosperity?

7. The first directive is to increase interest rates. Then there should be a credit squeeze. There should also be an increase in taxes.

8. In addition all subsidies and monopolies must be withdrawn and the

Government should not control exports.

9. Finally the countries receiving IMF' s aid must open up their economies so that foreign companies could operate without any restrictions on ownership or areas of economic activity.

10. Even when a country' s economy is strong and doing well, these directives are likely to slow down economic growth, especially the part contributed by locals. But these countries are under stress economically as their currencies have been devalued by from 50 percent to 600 percent. Additionally the share prices have collapsed due to massive withdrawal of capital by foreign investors. Effectively this devaluation of the currency and the share prices would result in the collapse of practically all the business. Foreign loans would require more local currency, between 50 percent to 400 percent more, in order to repay. Local bank loans based on the share prices would also require more money as the value of the shares as collaterals fall below the amount of loan taken. The economic turmoil into which the country had plunged makes it difficult to do business and make profits. But if the loans are to be paid the profits must be extraordinary.

11. But when the interest rate is increased and credit is pulled back, the task of making additional profit is made quite impossible. Eventually the banks must take action to foreclose. Between the currency and share devaluation and the interest rate increase and credit squeeze most of the nations' companies will go bankrupt.

12. The bankruptcies of so many companies must affect the banks as well as the Government. Banks will accumulate non-performing loans while losing valuable clients and there will be no new clients due to the recession. Governments of countries which depend on corporate taxes to fill their coffers will suffer gross reduction in the revenue and the capacity to sustain operational and development expenditures.

13. There is of course one possible avenue for escape and resuscitation of the economy. The devaluation of the currency and the fall in share prices render the local companies and banks attractive for takeovers by foreign companies. Since one of the conditions for aid is to open the country to unrestricted foreign investments, it would be easy and extremely cheap for foreign companies to acquire the distressed local companies including the huge utilities like telecommunications and power. It is also possible for foreign investors to set up 100 percent foreign owned banks, utility companies, land and sea transport etc.

14. Since the foreign companies moving in are all sound companies with good capital backing, market confidence would be regained, resulting in the appreciation of the currency as well as recovery of the stock market. In other words the takeover of the economy by foreign companies would result in economic recovery.

15. In a globalised borderless world people should not mind their economies

being controlled by foreigners as long as they can get the services of the most efficient and financially powerful companies of the world. Banks and corporations should allow themselves to be absorbed by the big foreign banks and corporations. People should be happy to work for foreign companies since they are likely to receive better pay.

16. Unfortunately some countries are resisting globalisation and are trying to overcome the problems caused by currency devaluations and the dive in share prices on their own. They are trying to help their companies and banks by restructuring and making credit available. This is considered as carrying out bailouts and this will cause a loss of confidence on the part of market forces. The result will be further devaluation of the currency and falls in share prices. Eventually these countries must give in and accept the inevitable.

17. Before we can guess what the future is going to be like, we have to look at the past and the present, including of course the immediate present which is more likely to develop and become a part of the future.

18. In the heyday of blatant capitalism i.e. in the second half of the 19th Century and the beginning of the 20th Century, exploitation of the poor workers was considered as a matter of right. The vote was expected to be confined to the property owners and workers should consider themselves lucky if they could find jobs with low pay. The rich took everything for themselves.

19. Karl Marx argued that the wealth produced was the result of the labour of the working class. It was an injustice to deny them the full benefits of their labour. In fact he felt that the workers should own the means of production. Thus began the Socialist and Communist revolutions which resulted in millions of lives being lost and properties destroyed. In many countries the viciousness of the revolution was unprecedented, with all the capitalists being massacred, their properties confiscated. Dictatorships of the proletariat, the working classes, were established with all the means of production taken over by the Communist State. The socialist were less violent but they too deprived the capitalists of their wealth and pushed for greater rights and privileges for the working classes.

20. Awakening to the danger of workers' revolutions and violent takeovers of the Governments, the Western capitalists decided to show a friendlier face to their workers. The rights of the workers to form unions, to have higher wages and bonuses, to shorter working hours and holidays, to good housing and medical treatment were recognised and granted. Oppressive work and dirty work conditions were eliminated. In some countries the workers even sit on the management boards of companies. Many socialistic practices were adopted in order to placate the workers.

21. The term capitalism was gradually displaced by the free market. Ownership of companies was spread to the middle class and working class through the public limited companies. Altogether businesses became more democratic. The ugly capitalist image of private corporations was replaced by a much more friendly professionally managed public listed companies.

22. The new capitalists successfully contributed to the growth of their countries' economies. In the war against the National Socialists, the capitalists actually collaborated with the communists in order to defeat the dictatorships of the fascists. Through a series of astute capital management including a stable exchange rate system crafted by economists at Bretton Woods, the Western neo- capitalists or free marketeers were able to rebuild their economies using a combination of capitalist and socialist approach. But the underlying greed of the capitalist never really disappeared.

23. The communists on the other hand did not do so well economically. The idea that with everyone receiving the same pay and subsidies they would work just as hard and be equally happy did not prove right. Productivity and wealth decreased and the working classes no more appreciate their own dictatorship as they would capitalist dictatorship.

24. Eventually the Communist system collapsed. While they were around they provided a counter-balance to the capitalists of the West and made available the option to defect to the small countries. Without them the capitalists felt free to do as they pleased and small countries had no choice but to accept the domination of the big and the powerful.

25. Accordingly the capitalist no longer feel the need to show a friendlier face. With the ease of communication their field has become enlarged. Instead of just aiming for acquisition of the national wealth they can now go for the wealth of the world. But to do this certain concepts and values that they had preached in the past had to be reversed.

26. The concept of the nation states and their independence had to be debunked. Non-interference in the internal affairs of nations must give way to the right of the powerful nations to intervene in order to ensure that the right things are done. Even democracy has to be sacrificed in favour of market forces in determining policies and Government leadership.

27. President Carter was the first to claim the right to intervene in any country where human rights are alleged to have been violated. This was followed by the attempt to use the GATT and the WTO to link trade with human rights records, workers' rights (specifically low wages in countries competing with the developed countries), the environment etc.

28. The targets of these sudden concern for the people' s well-being seem to be those developing countries which clawed their way into becoming industrialised nations producing goods which compete successfully with those of developed countries. The results of linking trade with human rights etc would be to make the cost of production of these countries increase so much that they would not be able to compete at all or they may not be able to export their products at all. It is not unreasonable to assume that this concern for the well-being of the peoples of these countries was more because of the desire to make their goods less competitive against the goods of the developed countries.

29. Ugly capitalism seems to be at the back of this humanitarian concern. It is not humane at all as the consequence of this demand is to make the peoples of these countries poorer, not richer. Obviously they stand to lose the market if they comply and to be shut out of the market if they don' t.

30. The developing countries saw through this scheme and opposed it in the GATT and the subsequent WTO. The opposition was muted however as the poorest countries with probably even worse records of human rights violation were not involved as they were not producing anything to compete with the goods of the developed countries. Besides most of these countries are under obligation to the developed countries from whom they had obtained aid or loans.

31. Nevertheless the attempt to eliminate competition by low-cost countries failed.

32. The advent of the Information Age and instant communication brought forth the idea of the world without borders, a world in which not only information but capital, goods and people could move freely and exploit business potential without regard for citizenship or loyalties.

33. The exploitation of business opportunities by the people with the capital and the know-how in most countries has always been restricted by national laws which favour the citizens of a country. But because the citizens are poor and do not have the necessary know-how these opportunities have not been fully exploited. If the opportunities and potentials are to bring the maximum benefit to the people, then laws and regulation which favour locals must be done away with. In other words there should be massive deregulation.

34. With such deregulation there would be, businesswise, no more borders to hinder the activities of those with the capital and the know-how from the most advanced and richest countries. The whole world would be just one country, open to everyone who knows and can exploit the business potential to the maximum. Thus as a corollary to deregulation there should be globalisation.

35. The developing countries were told that deregulation and globalisation would be good for their people. Without these they would forever be saddled with incompetent and poorly capitalised local business people usually the cronies of the leaders, who would provide inferior goods and services at exorbitant prices.

36. Paralleled with the propaganda on deregulation and globalisation came exposures of the misdeeds, the corruption and the cronyism of the leaders of countries which incidently had managed to industrialise themselves and produce goods to compete with those from industrialised countries. Inundated with these propaganda material from the capitalist-controlled world press, the peoples of these countries soon turned against their Governments. They joined the chorus not only to demand the overthrow of their Governments but to open up their countries to foreign exploitation.

37. Obviously only the biggest corporations can dominate the world. In

preparation for this global domination the big corporations and banks in certain countries are already taking steps through mergers and acquisitions to grow bigger. It is felt that in any one field of business there needs to be only a few giant corporations -- three or four for the whole world would be enough. The small national corporations must allow themselves to be acquired or to perish in the one-sided competition.

38. Unfortunately for the powerful advocates of globalism and deregulation, the most highly developed of the developing countries did not take too kindly to these ideas of deregulation and globalisation. They did not reject them completely but begged to be given time to strengthen their companies and banks. Their delaying tactics merely made the giant countries and their corporations impatient. Somehow they must be forced to speed up.

39. It is to the credit of the powerful economies of the West and their giant corporations that they did not conspire. But the opportunity was thrown into their laps when the currency traders attacked and devalued the currencies of all those developing countries which were delaying globalisation. The short term investors in the share markets of the countries attacked by the currency trader then pulled out their capital causing a drastic fall in the share prices and aggravating the economic situation.

40. Faced with this unprecedented financial crisis in which the national wealth was at least halved the Governments of these developing countries had to ask for the help of the International Monetary Fund. As the IMF believed that recovery could only be brought about by foreign companies taking over partially or completely the local companies distressed by the falls in the currency and shares, one of the conditions insisted upon by the Fund was the removal of the restrictions on ownership of local banks and companies by foreign investors. As a result of the countries accepting this condition foreign companies could acquire all the big and profitable companies or hold controlling interest in them. These foreign companies would be giants which operate globally. Their funds would be huge and they would dominate the world.

41. There was a time when big American companies own huge banana plantations in some of the poor Latin American republics. The revenue of the Governments of these republics came almost exclusively from the banana plantation companies. If the companies fail the republics would be in grave trouble. It was in the interest of these republics to accede to the demands of the companies, including political adjustments. It is just possible that the giant corporations which operate in the countries which have been persuaded to open up will have the same influence over the Governments.

42. It has been pointed out that currency traders can devalue any nation' s currency at will. Currency trading is done not by hedge funds alone, but also by the big banks. One of these banks is capitalised at over 600 billion dollars. It is believable that between these banks and the currency traders they have almost 30 trillion dollars.

43. They do not work in concert of course. Nor do they enter into a conspiracy. But they do behave like herds. Thus when one of the more important members swing in one direction, the other will follow. The effect is not unlike acting in concert.

44. The devaluation of the currencies of East Asia is said to be due to corrupt crony-capitalism. They will deny that their corruption is the cause of their currencies devaluation even as the currency traders deny that they have anything to do with the devaluation. But whoever may be guilty the fact is that the currencies have been devalued massively, in one instance by 600 percent. We can assume that the currencies are intelligent and they devalue themselves when the Governments which issue them misbehave.

45. What is a fact however is that the countries whose currencies have been devalued suffer economically, socially and politically. If because of their profligate ways they were unable to pay their foreign debts, after devaluation they became even less able to pay their debts. This will awaken them to their poor skills in managing their companies and they would be more willing to accept the capital, services and control by foreign companies.

46. The net result of the globalised deregulated world would be the emergence of huge corporations and banks with branches in every country in the world. Their numbers would not be too big as all the small companies and banks would have been acquired or absorbed in one way or another.

47. In the old capitalism, the rich controlled the wealth in one or two countries and exploited the poor workers in these countries only. Their markets were the empires that they had acquired. These were captive markets, which not only bought all the manufactured products at whatever price that was fixed, but also supplied all the raw materials at prices which were fixed by the rich industrialists in the metropolitan countries.

48. This arrangement was neat. Unfortunately in the post- war years the empires had to be dismantled. Preoccupation with the Cold War and the need to retain the allegiance of the newly independent countries kept the capitalists at bay. But once the challenge posed by the Communist bloc was overcome the capitalists were let loose.

49. Today it is not the exploitation of local labour that is the focus of the new capitalists. It is the exploitation of the poor countries worldwide that promises unlimited gains. Hence the push for deregulation and globalisation.

50. These capitalists do not talk of millions of dollars of profits. They talk of billions of dollars. They cannot wait to do ordinary businesses involving time - consuming research, manufacturing and exporting. They want to make their billions overnight. And currency trading provides them with this mind-boggling profits.

51. With trillions at their disposal they have become a force that no Government

of developing countries can go against. Control of the media enables them to shape public opinion, censor criticism and generally promote the legitimacy and the wholesomeness of their concept of the new world order. If they say globalism is good then the whole apparatus will say so and no one will be allowed to say otherwise.

52. I have briefly described the past and the present. So what is going to be the future, the future of Asia. Actually there is not going to be much of a future for Asia, at least a future that is distinctly Asian. In the globalised deregulated world the future of Asia will be so closely inter-twined and interlinked with that of the rest of the world that it cannot be distinguished from the world' s future.

53. Asian countries will prosper again but not as Asian countries. Their economies would be dominated and run by the huge foreign corporations, practically all owned and managed by non-Asians. Southeast Asia will provide a base for the production of low-cost products to compete with those of certain large Asian economies which refuse to be controlled. In the end these countries too will give in.

54. Government will submit because they know they are up against forces which they cannot defeat. But the people will show their resentment against those outsiders who will lord it over them once again. Bitter over the takeover of their national corporations, they will show their feelings in many ways. Sooner rather than later they will think of regaining control over their economies. They will regard this as a new war of liberation. Even if they want to avoid violence, violence must come as the new capitalists disregard the signs.

55. There will be no war of independence of course. But there will be a kind of guerilla war which will not be good for anyone.

56. Maybe this will not be the future of Asia. Maybe Asia will extricate itself from the present situation intact. Maybe the healthy economic competition between Asia, Europe and America will be restored. But the new capitalists would not want to miss the opportunity to dominate the world and make lots of money in the process. Only if their own countries restrain them will the future of the world of which Asia is a part be peaceful and prosperous.