

## The U Thant Distinguished Lecture Series

Tokyo, Japan 7 June 2001

"GLOBALISATION, GLOBAL COMMUNITY AND THE UNITED NATIONS "

Globalisation is today's flavour. However it has turned sour even before it has been tasted by the majority of the peoples and the countries of the world. It is very unfortunate of course, because it had held out so much hope for a better and more equitable world, a world free of poverty, a world of caring and sharing between rich and poor.

2. Why has globalisation turned sour so quickly? Why are so many people protesting and demonstrating? Why are the poor who are supposed to be a beneficiary, if not the main beneficiary, so reluctant to accept it? Why are they stalling, unwilling to hold the next round of WTO talks? Is it globalisation or is it something else that has incurred their displeasure and their fear?

3. If we care to look we will find that it is not globalisation per se. It is what accompanies globalisation that creates fear and negative reactions.

4. Globalisation is presently made synonymous with and exclusively about a totally free unregulated world market. It is absolutely tied to total deregulation within countries and between countries. The free market must be totally free and totally unregulated. Governments must not only step back but Governments must be completely deprived of any right or power to oversee the market. In other words where free trade is concerned good governance means no governance.

5. The market it is claimed will regulate itself. Indeed it will do more than that, it will discipline Governments. This last assertion was made by the Great Currency Trader, George Soros. In South Korea he made the claim that trading in currencies and devaluing them is an exercise in disciplining Governments. One can see in one's mind this great trader, whip in hand making Governments jump through a hoop, disciplining and training them so as to make them govern properly.

6. It is strange for a world dedicated to democracy to advocate the disciplining of popularly elected Governments by a foreign currency trader. But apparently the claim is believed to be logical, right because the world's media immediately quoted the wise words of this great sage.

7. It is a measure of the dominance of Capitalism that such an absurd claim can be made and accepted. The market is a great place where exchanges and trade contribute much to the creation of wealth. But the market is about making profits, maximum profit. An unfettered, a deregulated market can only lead to avaricious profiteering to the maximum level. It is absurd to think of the market caring about good governance of nations.

8. We have seen during the currency crisis the currency traders destroying the economies of whole regions in order to make money for themselves. They will deny this of course. They will say that it was the corrupt, opaque, cronistic Governments which destroyed the economies of their countries. But before July 1997 the same Governments were developing their countries so fast that they became miracle economies, tiger economies, dragons etc. They could not have been suddenly corrupt in July 1997, all these Asian tigers. They must have been bad Governments for a very long time. Yet they were apparently able to govern their countries well enough to make economic tigers of them.

9. No. The claim that it was due to bad governance by corrupt Governments does not hold water. That it was due to the currency traders and their currency trading and manipulation is more logical because the great Asian Currency Crisis happened immediately after the currency traders appeared on the scene. They, and their media talked incessantly about the imminent collapse of the economy that it became a self-fulfilling prediction. Capital stopped flowing in and banks, international banks, scared themselves into not lending. Short-term investors pulled out.

10. Then the currency traders began to dump the currency on the market. In vain the Central Banks tried to mop up the excess money. The Central Banks could only use the cash they held. They were fighting against fund managers who could leverage their funds by 10, 20 or even 100 times. And predictably the Central Banks lost and the currencies and the economies went into a tailspin.

11. Suddenly the tigers lost their teeth and their claws. A picturesque statement but what actually happened was that the economies collapsed, millions of workers were thrown on the streets. There they rioted, burning shops, raping and killing innocent people. The IMF moved in and in a situation where people had already lost their income, the Governments were forced to withdraw food and fuel subsidies, increase interest rates and taxes, reduce Government spending and generally display a most uncaring attitude. The riots escalated and the Governments were overthrown, the same Governments which had

before so enriched the countries that they became economic miracles.

12. Why did all these happen? They happened because of this absurd notion that markets can regulate themselves and even discipline Governments. Markets only care for profit, for the maximum profits. In Southeast Asia in order for the market to maximise profits it was prepared to destroy whole economies, and countries and people, mostly the poorest people, the workers. In Malaysia short-term capital pull-out caused the stock market index to plunge to around 260 from 1000. Market capitalisation was reduced by 200 billion US Dollar. Businesses collapsed and margin calls could not be met. And banks were on the verge of collapse unable to carry the huge non-performing loans.

13. All that happened in Malaysia, in Southeast Asia and in East Asia were due to the operations of the free market. Yes, we will admit that the Governments of these countries were not the best Governments in the world. There was corruption, there was cronyism, there was poor transparency. All these needed to be corrected. But must whole countries and economies be totally destroyed in order to carry out the corrections? Is there no other way, more humane way? Cannot we take up a little bit more time, preserving the economy as much as possible while we make the necessary corrections?

14. If this was how currency traders discipline Governments and if this is what the free market holds for us, is there any reason why we should welcome it?

15. But globalisation is not necessarily designed exclusively for the free totally unregulated market. Globalisation by definition is about the globe, the world as a single entity, not divided up into many countries with closed borders. We must admit that the difficulties and hassles about crossing borders stifle economic interaction, the free flow of expertise and wealth-creating capital. The answer is not necessarily the destruction of borders. We can achieve the same purpose by simply agreeing to lower the borders in parts, for capital to flow in, even to provide incentives for capital inflows.

16. That was what Malaysia did. We encouraged capital inflows by incentives and reducing bureaucratic hassles, by being business friendly, by catering to the needs of the investors as much as possible. We succeeded very well and we were enriched by the foreign capital inflows long before FDI became an acronym for Foreign Direct Investments. But we did not take down our borders completely. We did not find it necessary. As a result domestic businesses were able to thrive and in time

we were able to compete, to invest ourselves and to export our own indigenous products, earning better incomes for the country.

17. We felt we were very much a part of the world. We benefited from the engines of growth provided by the rich countries and the rich benefited from the lower costs and the skills of our workers. It benefited everyone, this gentle and selective lowering of our border walls. And we could have gone on benefiting everyone with our way, our selective lowering of our borders.

18. I don't really think the advocates of a borderless world truly subscribe to it. If they do then they wouldn't be so discriminating, demanding for borderlessness only for capital to flow in and out. If we are truly borderless then people too should be able to flow in and out of countries freely. The millions of poor people in Africa, Asia and Latin America should be able to migrate to rich countries when they can contribute towards the lowering of costs while making hardly a dent in the pockets of the rich. But the vigorous advocates of a borderless globalised world are very emphatic that the borders should come down only for capital. In Malaysia and in every country the poor very often migrate from their part of the country to the rich urban and industrial areas. They create problems of course. But since they are as much citizens as everyone else they have a right to migrate.

19. In a truly globalised world where there are no borders it is reasonable to expect the poor to migrate to the rich countries. After all the rich can make money in the poor countries, why cannot the poor make money in the rich countries? Isn't it fair? But no. No way will globalisation permit a free flow of workers from one part of the globe to another.

20. It is the same old double standards. Tails I win, Heads you lose. Globalisation at this moment is not a win-win game. It is about the winners continuing to win and the losers continuing to lose.

21. But if globalisation now is so one-sided, cannot we make it less one-sided? We need not reject globalisation but need we accept the fellow travellers, the free unregulated market and the others? Must we unequivocally accept that globalisation is free market and free market is globalisation?

22. The answer must surely be it is not. We can have globalisation without a totally free market, without total deregularisation, without the abdication of Governments as the overseer and the regulator.

23. Let us take currency trading again. Must it be a part of globalisation? Obviously not. We can still have world trade without the currency traders. Indeed we can still have world trade with fixed exchange rates. That was what the Bretton Woods was all about, the fixing of exchange rates.

24. In the immediate post-war years and for a considerable period of time the fixed exchange rates of Bretton Woods brought stability to countries and to their trade relations with each other. And the world made a rapid recovery from the trauma of World War II. By comparison recovery from World War I was irregular and unequal. Defeated Germany suffered the most severe recession and the Mark was rendered practically useless. It left such bitter resentment among the Germans that they became ready to accept Hitler and his mad ambitions. Millions died as a result -- the result partly at least of an exchange rate that was not fixed.

25. So what is wrong about a fixed exchange rate in a globalised world? Malaysia fixed its exchange rate to counter the manipulations of the currency traders and to stop the slide of the country to bankruptcy. There were all sorts of dire prediction. Malaysia's economy would collapse totally. It will be a world pariah, shunned by all investors. It would be forced to go begging bowl in hand for help.

26. Well, nothing of that sort has happened. We have recovered fully. In 2000 we grew by 8.5 percent. This year growth will be much lower but it is not due to capital controls or fixed exchange rates. It is due to the failure of the U.S. economy which takes up 20 percent of Malaysia's exports.

27. A mechanism for fixing exchange rates can be developed in order to enable a regulated devaluation of the currencies of weak economies and revaluation of the strong. Surely the great economists and financial experts of the world can come up with a good mechanism that will largely avoid economic turmoil.

28. The borders may be brought down so that the world can be more global. But we can be selective in terms of trade items, in terms of time, and in terms of scale. There is really no need to bring down borders for everything and everyone at a fixed time, nor should there be zero duty for everything. Yes there are provisions for these in the WTO agreements but they are not good enough. The pressure is always to open up, to let capital in and out and to profit from capital movements rather than from long-term productive investments.

29. We don't need giants and oligopolies or monopolies in order to benefit from their economies of scale. Organisations which are too big lose their efficiency, they become arrogant

and will not care about the side effects of whatever they do. They will simply ride roughshod over everything. And the world will be the losers.

30. There should therefore be big and small corporations and banks which can operate both nationally or internationally. The small must be protected to a certain extent, given the same kind of handicaps that golfers are familiar with so that not only will the playing field be level but the disparity in the sizes of the players will be compensated. Governments must be allowed to admit or reject the super corporations and banks access to their countries. But they must justify this.

31. There was a time when huge corporations were forced to break up. Rockefeller's Mobil Oil monopoly of the oil business in the U.S. brought on the anti-monopoly Anti-Trust Laws. After the Second World War the big German corporations and the Japanese Zaibatsu were broken up. Bell Telephone Company in the U.S. was also broken up.

32. Each of these offsprings then grew into huge corporations, bigger than their parents. But now they are merging again and becoming even bigger. The merged companies are merging and merging until they are actually bigger and financially more powerful than the Governments of most countries. Even the most powerful Governments of the powerful countries are afraid of them.

33. These corporations have now decided on their own to limit the number of corporations to be allowed in any industry throughout the world. In the automotive industry there will be only five or less. The same will apply to the banking industry and other industries. There is no guarantee that these oligopolies will not merge further until they become monopolies. There is also no guarantee that they will confine themselves to particular industries and not diversify and merge with the other giants.

34. Perhaps I am being a scaremonger. But then when we became independent only 43 years ago, Malaysia had looked at its borders as a legitimate protective barrier behind which to manage its economy. If somebody had told us at that time that we would lose the protection afforded by our borders a few decades later we would have considered him a scaremonger. But today we are being told that borders are pass , anachronistic. There is going to be one world, one borderless world. We cannot use our borders to protect ourselves anymore. How can we be sure that in this globalised borderless world, the giant banks and corporations would not rule the world, would not destroy us?

35. When, after a very destructive world war, the nations of this world decided to try again for international cooperation and global governance, great hopes were raised. The United Nations, a new kind of League of Nations, would ensure peace for the world. It would also free the colonies of the Imperial Nations. We therefore welcomed it and as a result Malaysia and many other colonies of the European nations gained independence because of it.

36. We thought that independence meant the right to rule and manage our country freely and independently. But we soon found out that independence did not imply freedom. It was President Sukarno of Indonesia who recognised the new form of colonialism which he called Neo-Colonialism. We thought he was a crank but now we know that he was omniscient, he saw far into the future.

37. Today the United Nations is not the institution that we had expected it to be. The belief that the great powers who had been given veto rights would exercise that right for the good of all has not been borne out. Today the veto is often used to uphold wrong-doings.

38. Under the aegis of the United Nations the World Trade Organisation was formed. There we thought we could hammer out a free trade system that will be fair to all. But we are finding that it is an instrument for forcing upon the world the policies of the rich, designed to enrich the rich further.

39. The small countries are helpless as many are beholden to the rich, forced to toe the line on pain of losing aid or loans or other kinds of patronage. They are deeply divided and they come to the negotiating table with puny delegations to argue complex issues with the huge highly knowledgeable delegations of the rich backed by experts on call at home. They are faced with an agenda not determined by them. Some of these countries had earlier received delegations from the rich intended to soften their stands. Always there is a threat that money would be denied.

40. The WTO is not about fair trade. It is about forcing down the throats of the unwilling the ideas of the rich to help enrich themselves further. In the WTO globalisation and the borderless world would not only be promoted but would be imposed.

41. While we hear of the virtues of democracy for our countries we see a total lack of democracy in international affairs. In the United Nations and elsewhere the powerful will take what they want and the weak will surrender what they must.

42. It is a sad commentary on the state of the world civilisation in this the 21st Century, the third Millennium. Might it seems is still right. We have not progressed very far since the first caveman bludgeoned his rival and grabbed his wife. Until there is reform to the United Nations system this primitive state of affairs is going to continue. Certainly it will in so far as world trade is concerned, in so far as currency manipulation is concerned.

43. This is a talk on Globalisation, the Global Community and the United Nations. I wish I could say some nice things. But I find it very difficult to say anything complimentary because I see injustice done to my country at every turn simply because we try to exercise the democratic right of free speech and minority right. If we want to see a better world then the rich and the powerful must learn to restrain themselves to listen to the contrary views of the poor and the weak and to seriously consider them and to be prepared to make little sacrifices. Greed must be curbed because it will destroy all of us. There is still a place for charity of thoughts and action.

44. I am grateful to the United Nations University for giving me this opportunity of being heard here. I know that I will be totally ignored by those who control the information that the world gets. I know I will be vilified as a heretic. But I believe that I have as much right to free speech as they have. And here I claim my right.