

The 10th World Economic Development Congress

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"GLOBALISATION AND ITS IMPACT ON DEVELOPING ECONOMIES: THE CHALLENGE, THE RESPONSE"

I have been asked to speak on globalisation and its impact on the developing economies, focussing specifically on the key challenges that face the developing world and the key responses that must be made.

2. Please let me apologise for not being hypocritical and for not saying some of the things that some may wish me to say. I am tempted to try but as a medical doctor I am a little worried about the effects of a physiological process called "choking". I am sure you would not want me to choke on my words and to collapse right before your very eyes.

3. Please let me also apologise for saying some politically incorrect things. We so obviously live in a world where some things are politically correct and where some things are politically incorrect. The sacred truths of the new economic religion called "globalisation" or the "the market system" or "neo-liberalism" are very simple and completely clear. The penalty for any developing-country leader who does not get up every morning to declaim these sacred truths, and the punishment for any developing-country leader who does not go to bed each night without declaiming these sacred truths, are altogether well known. I will not tell you the intimate details of what I do when I get up in the morning and what I do before retiring at night. But I must apologise to those who are offended by the fact that I am not a wide-eyed believer in this new religion - a religion which so insistently demands complete, unquestioning belief and complete, unquestioning obedience -- especially from the poor and the weak, especially when they are in great and urgent need of money.

4. Having, hopefully, apologised enough, let me state my belief that for the developing world, with regard to "globalisation", there are at least five central challenges.

5. The first is the most basic. It is the simple challenge of independent thought, of thinking for ourselves. This is not very easy, especially since there are so many kind people who are very happy to do the thinking for us, and who get so upset when lesser beings like us try to do our own thinking.

6. The second challenge is the challenge of truth. This is also not so simple because we live in a world in which there are not so many facts on globalisation and where there is so

much globalisation nonsense. It is not so easy to think straight when there are so many corporate giants showing their teeth and so convincingly hiding their ambition at gobbling us all up.

7. The third challenge that confronts the developing world is the challenge of fairness and justice. How can we ensure a new world order that is not only new but also much fairer and much more just?

8. Why is it that everywhere, there is pressure to ensure "one man, one vote"? Except in the IMF and the World Bank. In these important organisations, what has to be sacred is "one dollar, one vote"?

9. Why is it that so much of the developed world, despite all their globalisation and liberalisation rhetoric, will not open their agriculture market? Why do they subsidise their farmers handsomely when they declare the subsidies distort the market and the economy and all food and fuel subsidies in poor countries must be stopped or no promised loans will be disbursed.

10. Why is it that so many of the rich countries, despite all their globalisation and liberalisation rhetoric, will not remove the barriers on those products - textiles, clothing and footwear - in which the poor countries are world beaters? Why instead is there tariff escalation on all those important products where the developing world is able to develop awesome global competitiveness?

11. I believe that the fourth central challenge that faces the developing countries is the challenge of mutual benefit. How do we maximise the number of winners in the process of globalisation and minimise the number of losers? How do we ensure that we have a win-win game? How do we ensure that the results and the pattern of winners and losers is not so indefensibly skewed?

12. In 1960, the total income of the wealthiest 20 percent of humanity was 30 times greater than the total income of the poorest 20 percent. Today, after all the wonderful globalisation, it is more than 85 times greater. This figure in fact grossly understates the concentration of wealth amongst the wealthiest. The UN estimates that "the assets of the 200 richest people are more than the combined income of 41 percent of the world's people." Just imagine, 200 people owning assets equal to the total wealth of 2.5 billion of their fellow creatures. How many meals a day, how many wardrobes of clothing, how many pairs of shoes, how many

houses do these 200 men need in order to survive. And yet they want more and the world must accommodate them.

13. The globalisation theologians tell us all about "the gains from trade". Why do they not also tell us of "the pains of trade"? Why don't they tell about the trading by a few currency traders which earn them billions at the expense of millions losing their jobs, their subsidised rice and fuel, and at times their lives. How do these many gain from trade.

14. It is blatantly clear that if globalisation is to proceed apace - without a war in the streets - we need a new globalisation that works less diligently in the service of the very wealthy and much harder in the service of the very poor - between nations and within nations.

15. I believe that the fifth central challenge is the challenge of creating a more compassionate and caring world, a world where the winner does not take all and the loser does not lose all, where much success must go to the strong and the competitive, without the weak and the uncompetitive having to descend to the depths of hell.

16. One of the central operating principles of globalisation is economic efficiency. The other is economic competitiveness.

17. In a more caring and compassionate world, all would bow to the fact that economic efficiency cannot be the be-all and the end-all of every public policy. Economic efficiency, per se, cannot be the highest priority in all societies, at all times, under all circumstances. The idea is preposterous. If you have millions of workers jobless in a poor country, can they accept the products of the workerless automated plants in the rich countries in the interest of efficiency? Should millions starve and die in the interest of efficiency?

18. In a more caring and compassionate world, decent and civilised men and women must surely want to see some efficiency sacrificed in the interest of millions of poor people. The weak, the backward, the handicapped and the uncompetitive must surely also have the right to exist, to have a place in the world and to be given a helping hand. We cannot just eliminate them as Hitler tried to do with the handicapped and the mentally retarded.

19. Each of the five challenges I have mentioned constitutes an awesome challenge for the developing countries, which are poor, weak and un-empowered. Let me concentrate on the first two.

20. Let me try to stress the importance of independent thought by pointing out the danger of taking our ideas and our beliefs off the shelf. The reason is that we have so often been sold the most shoddy of products.

21. I cannot think of a profession more prone to being wrong than the profession of economists . except, of course, for the profession of politicians. This, I suspect, is why they try so hard to make economics appear so complicated and mysterious, an inner sanctum to which ordinary humans (certainly people like me who have to run countries) must not go. In reality, when you take all the concocted mysteries out of it, it is clear that the economists have been hawking the most rudimentary ideas ever since our dear friend, Adam Smith, started the whole economics business in 1776.

22. If, fifty years ago, someone somewhere were to stand up to argue that "the market" should make the major economic and social decisions for society, that the market should discipline Governments, or that the State should reduce its say in the nation, he or she would have been regarded as intellectually deficient or patently uncivilised - or both. Even the much narrower assertion that "the market" should be in charge of dictating economic policy would have been laughed out of court.

23. The new economic religion of our time sincerely believes that it is only right and proper, indeed it is a religious duty to believe, that the market mechanism should be allowed, in the words of an observer, to "be the sole director of the fate of human beings." It is only right and proper that "the economy" should lay down the law to society.

24. It is only right and proper that hedge funds and currency speculators and quick turnaround equity traders, with trillions of dollars in the bank and able to borrow many trillions more, "discipline" Governments and determine the future of hundreds of millions of men, women and children whose faces they will never see, whose names they will never know. Should these young men and women come and see the mountains of humanity they throw on the rubbish heap of history as a result of their quick grab for profit and their modest quick kill? Not on your life! All they see are the figures on their computer screens moving as they depress the buttons.

25. How did the "lunatic fringe" move to centre stage? How did "neo-liberalism" make the transition from the intellectual ghetto to become the dominant doctrine of our time? The process by which the old economic religion has so completely

given way to the new economic religion is, like the theology, the stuff of fairy tales.

26. The economic historians trace it to the tiny religious cell around Friedrich von Hayek and his student disciples at the University of Chicago, student disciples like Milton Friedman. From this small nucleus has sprung a huge global network of foundations, institutes, research centres, scholars, writers and public relations hacks.

27. As you all know, the neo-liberal religion has many prominent temples. The IMF, the World Bank, the WTO, the most powerful among them, work closely with those who walk the corridors of power in the great capitals, and who have such spectacular views from the skyscrapers of money on Wall Street. This once lunatic fringe who now inhabit the citadels of wealth, power and orthodoxy has huge sums of money and vast reservoirs of intellectual resources. And each year, tens of thousands more from around the world - the best and the brightest from the developing as well as the developed world - graduate from the groves of academe where the sacred truths are meticulously and lovingly taught, to swell the ranks of the priesthood.

28. As you know, this new economic religion has an impressive list of cardinals, the custodians of the holy writ, who develop, preserve, refine and interpret the theology. And it has developed a vast army of missionaries.

29. Think of any publication or media organisation that we refer to as "the world media", which is supposed to ensure the world a great diversity of views, opinions and perspectives. ABC, Bloomberg, CBS, NBC, CNBC, CNN, BBC. Think of the magazines: Time, Newsweek, Fortune, Economist, Far Eastern Economic Review, Asiaweek. Think of the newspapers: Asian Wall Street Journal, Wall Street Journal, Financial Times, International Herald Tribune, New York Times, Washington Post, Los Angeles Times. I challenge you to find the world newspapers, magazines and TV networks that are opposed to globalisation, that do not have an ideological commitment to globalisation, that do not daily spew and propagate, directly and indirectly, explicitly and implicitly, the sacred mantras of globalisation. I am sure there must be some. But one would have to be extremely diligent to find one or two or three or four in the entire world.

30. I am sorry to belabour this point. As you will discover in the second half of my remarks, I am not opposed to globalisation. I believe it has tremendous potentials. I know that in the case of my country, several aspects of globalisation have been heaven sent. But it is important for

all of us - not only for the humanity of the developing world but also the humanity of the developed world - to come to their own independent judgements about the dozens of facets of this complex, multi-faceted thing we call "globalisation".

31. Is it not clear enough that globalisation must be an instrument for humanity's development and not the other way around? Surely it is not right that humanity should be the instrument for the glory of globalisation. Surely globalisation must not be the God whom we worship. Surely globalisation cannot be excused from culpability no matter how many bones it crunches, no matter how much misery it wreaks, no matter how many financial crises it causes, no matter how many societies it demolishes. Surely people must matter, even as profit must be secured.

32. Let me now proceed to the challenge of truth.

33. There are some who wish us to deduce truths from theology and from the sacred texts - from Adam Smith to Milton Friedman. In matters economic, I am sorry. I prefer to deduce truth from facts.

34. Unfortunately, the facts are not that easy to obtain, even in this mature stage of the Second Great Age of Globalisation. In part, this is because the ideology and the theology and all the globalisation hocus pocus - on both sides of the debate -- has helped to blind us.

35. In part, it is because we live in a world where we are up to our necks in global nonsense. It is entirely possible that 99.99 per cent of the global manufacturers of the globalisation facts have an axe to grind, a vested interest to protect, salaries to increase, a belief system to foster and intolerant Gods to satisfy. I believe that in recent times, there has been only one subject which has been propagated with greater enthusiasm and a greater disregard for the facts and for that quality which we call "wisdom". Except only for the ranting and the "dotcons" on the so-called "dot coms", it might be argued that never before in the history of human affairs has so much nonsense and so many lies been told in such a short time as on globalisation.

36. Even through the fog of the deliberate manufacturing of truths on both sides of the debate, however, some things are clear enough. It is simply not true that in the process of globalisation, all are winners. There are obviously winners and there are very obviously, losers.

37. Second, there are winners and losers in the developing world. And there are winners and losers in the developed

world. It is no accident that 58 percent of Americans say that they are opposed to globalisation.

38. Third, because of differing social welfare safety nets and different levels of poverty and wealth, the immediate negative consequence of globalisation in the rich countries for most is the loss of a job. The immediate negative consequence in the impoverished countries is the termination of the practice of eating . at least for a while. I am afraid I see no moral equivalence between a family that does not eat this week-end and a family that cannot afford to go to the movies this week-end.

39. I believe I am on the side of the angels when my heart goes out more to the losers in poor countries than to the losers in rich countries. Especially since there are so many, many more of them in the developing world than in the developed world. Especially since the very poor benefit so very little from some aspects of globalisation and are amongst the first and the most devastated when things go wrong.

40. Fourth, quite obviously, those with a lot of money have a wonderful chance of ending up the winners compared to those in the middle class who have little to play with, and compared to the poor, who have none.

41. Merrill Lynch and Cap Gemini Ernst & Young does a global annual survey of what they call "high net worth individuals" who have cash, stocks and other liquid assets worth at least US\$1 million.

42. In last year's survey, Merrill Lynch and partner found that in 1999, there were slightly more than 7 million individuals who had at least US\$1 million in investable liquid assets. In 1999, their total assets grew by 18 per cent, roughly US\$4,000 billion, close to 5 times the total GDP of China with a population of 1.3 billion. In the latest survey published on May 14, Merrill Lynch and partner found that because of the fall in stock markets worldwide, the number of people with more than \$1 million in investable liquid assets rose by only 180,000 in the year 2000. The 7.2 million "high net worth individuals" of 2000 had a total wealth of \$27 trillion, up 6 per cent on the previous year. In the year 2000, their wealth rose by a more modest, almost paltry US\$1,500 billion, not much more than 5 times the total GDP of India, population one billion.

43. It obviously does pay to be rich in a borderless world!

44. I think I have said more than enough on the challenge side of the equation for developing countries. Given the stark and cruel realities, how do we respond?

45. I believe that just as there are at least five central challenges that confront us, there are at least five strategic imperatives that must guide us.

- The first is the principle of rationality.
- The second is the principle of readiness.
- The third is the principle of representation.
- The fourth is the principle of responsibility.
- The fifth is the principle of self determination.

46. I believe that rationality is essential because we must be careful not to throw the baby out with the bathwater. Of the dozens of dimensions of globalisation, many are indispensable for a modern economy and a modern society.

47. We must not turn our back on the good of globalisation, even as we must not embrace, blindly, the bad. To do so is irrational. And let us all pray to God Almighty that we all can summon the rationality and the wisdom to be able to distinguish between the good and the bad, in a world where everyone, it seems, is intent on selling us a false bill of goods.

48. Even when certain aspects of globalisation are productive, the problem of proper sequencing, preparation and readiness have to be seriously addressed. No-where has this been better demonstrated than in the great East Asian crisis of '97 and '98. Today, this imperative is moving to the centre of economic orthodoxy. It is being accepted even by the high priests of neo-liberalism. Most unfortunately, the neo-liberal missionaries and salesmen who, in the late Eighties and early Nineties, pressured us all to liberalise, liberalise, liberalise; forgot, in their enthusiasm, to add the proviso "when you are ready". And too many in East Asia and many other emerging markets were too starry-eyed to think it through for ourselves.

49. Thirdly, we must ensure democracy in the processes by which the international rules and laws which are imposed on the world are discussed and adopted. It is not defensible for the rich to discuss amongst themselves in the marbled negotiating rooms in Geneva and then to present it as a fait

accompli to the developing world. We should make it absolutely clear: No liberalisation, no globalisation without representation. The Bostonian might remember throwing tea into the sea.

50. Fourthly, within our own domestic jurisdictions, we must demand the highest standards of ethics, morality and sense of responsibility from the global and other corporations whose interest we seek and whose operations we host.

51. I believe that it is critically important for us to empower ourselves, to think for ourselves, to ensure that we have the will, the wit and the wherewithal to decide our own destiny. This is not easy in a world where the large majority of the countries of the developing world are already debt enslaved, or under IMF rule or massive World Bank conditionalities, or are dependent on foreign aid from the developed countries. For most of these countries, who can no longer decide what they can do for their peoples, my warning, my urgings are much too late. But as history has shown, the tide can be turned.

52. One of the central truths about our times is that the second great age of colonialism is already upon us. This may be fine and dandy for the perpetrators and the beneficiaries. It is not so fine and dandy for the victims and the potential victims.

53. For Malaysia, I say that four hundred and fifty years of colonialism is enough. Malaysia must be free. We must be free to decide our future for ourselves. And we must hope that our friends, who respect freedom, will accord to us what they so naturally demand and expect for themselves.