

## **The Langkawi International Dialogue 2002**

Langkawi, Kedah, 1 August 2002

### **"SOCIAL COHESION IN FIGHTING ECONOMIC TERRORISM"**

I wish to welcome all delegates to this Sixth Langkawi International Dialogue 2002. Since 1995 Langkawi has played host to government and business leaders in their quest for robust socio-economic growth for their countries. The Langkawi International Dialogue has been and will continue to be a platform where information on development is exchanged and shared, and ideas are voiced and evaluated among members. Today as we continue to grapple with current issues, new challenges continue to emerge and to occupy our attention, challenges which can have serious consequence for us if we are unable to handle them.

2. In the world of today nothing happens in one part of it which does not have repercussions in the rest. Whether we legislate into being globalisation or not, the interconnectivity of the world's economy is already a fact of life. Never was the interconnectivity of the world's economy better demonstrated than in the aftermath of the September 11th incident. The reaction of the international financial community and national economies was immediate. Bourses across Europe plummeted - the Paris exchange fell 7.4 percent, the Frankfurt exchange seven percent and the London exchange 5.7 percent. Speculations over retaliatory possibilities pushed crude oil prices up to a nine-month high. The economic effects were real and painful. The already shaky American economy began a steep downward slide. East Asian electronics industry, already grappling with the problems of global over-production began to slide further and faster. And we have still not recovered.

3. The September 11th attack has shocked the world. Many who thought terrorism was a problem of other countries now realise that no country is immune from terror attacks. Everyone now finds a need to cooperate to tackle this problem. Unfortunately we cannot agree on how to deal with terrorists and terrorism. Some think that all that is needed is to declare war on terrorism and to mount a full military operation. Like fighting conventional war they see the terrorists being defeated and laying down their arms. There would be a victory parade and we would all go to bed feeling secure.

4. Unfortunately fighting terrorists is not like fighting a conventional war or a civil war. In a conventional war the enemy is a country or an alliance of countries or a definable

group. The object is to defeat the enemy by the ability to kill more people and do more damage. With terrorism there is no country which can be truly identified as the enemy. In fact the terrorists may be hiding anywhere, or even be among the people of the country which is fighting against terrorism. Many of the terrorists may be killed or arrested but there is no guarantee there will be no more still around or new recruits deterred. And when the terrorists are prepared to kill themselves in carrying out their act of terror, there is no way we can prevent them from doing that with any certainty.

5. If we really want to fight terrorism we must realise all these and we must have a strategy that takes into consideration the causes of terrorism. We must eliminate the causes even if they are silly and unreasonable if we want to win the hearts and minds of the supporters and sympathisers and to prevail upon would-be terrorists to cease and desist. I am afraid this is not being done. In fact the opposite is happening as terror attacks which are totally indiscriminate are being used to counter terrorism which have caused even more anger and desperation and more willingness on the part of the terrorists to reply in kind.

6. The whole world, especially the world most likely to be attacked by terrorists is living in a state of fear, expending hundreds of billions of dollars in futile defence and in the process preventing economic recovery.

7. While the rich fear the terrorists, the poor too are living in fear. They live in fear of the predatory rich bent upon taking over their economies and their countries. They fear their ultimate recolonisation.

8. What I say is not an exaggeration or alarmist; Globalisation and free trade along with democracy are being touted as the saviours of the world and in particular the poor. But our experience up till now is that we are being destabilised and robbed.

9 The poor countries have always relied on the natural commodities they produce in order to export and earn foreign exchange with which to buy needed industrial goods. But we have seen how every year we have to sell more and more of our largely depleting resources in order to buy less and less of the goods we need. We are being held to ransom because the rich countries are not entirely dependent on us for the raw materials for their industry. They have a choice of sources and they control the market and the prices. They do not really care whether we buy their products or not because their markets are mainly they themselves, the rich countries.

10. Besides they invent and produce their own raw materials in order to compete with our natural products. Rubber is displaced by synthetics, tin by plastics, glass, paper, aluminium and numerous other packaging materials and now they have genetically modified products such as soya bean oil to oust palm oil from the market.

11. Genetic Modification is going to impoverish further the agro-wealth based poor countries. Soya bean is the perfect example. By modifying the soya so as to produce more oil per hectare they are able to reduce their price to the same level as palm oil and other vegetable oils. While they themselves reject GM for health reasons they have no compunction about selling GM food to developing countries.

12. As if that is not enough they subsidise directly and indirectly all their farm products. While the World Bank and the IMF force many poor countries to stop subsidies, these agencies never stopped the rich from unfair and massive subsidies.

13. We are told to open up our economy to foreign participation. There is no doubt that FDI in industrial production create jobs and increase the wealth of the poor. Malaysia has greatly benefited from FDI.

14. But now the rich are competing with the poor to attract FDI. They are providing land and capital free to foreign firms including those from the nearly developing countries, to site their plants in the rich countries. And failure to set up plants in their countries can mean all kinds of non-tariff barriers and discrimination. The result is not an inflow of capital into the poor countries but starvation of FDI and even outflow of capital.

15. One rich country was able to attract a major investment away from Malaysia by offering 200 million dollars to the corporation apart from other perks. There is no way Malaysia can offer anything like this.

16. The Asian financial crisis is another example of economic terrorism. The countries of East Asia were growing fast and were known as economic tigers prior to the crisis. Korea was apparently going to become another Japan. The controlled Western media began to call Korea a newly industrialising country or NIC for short. Korea was very proud for this recognition. But it soon learnt that it was to justify all kinds of restrictions on the export of its products.

17. Korea's labour practices and wages were scrutinised and condemned. The quality of its products was questioned and

declared to be below the standards set up by the rich countries. Charges of dumping were leveled at Korea and countervailing duties were applied to ensure Korean goods become uncompetitive. Still the Korean growth continued and so did the other East Asian countries.

18. Timber products from Southeast Asia are boycotted because we are said to be destroying our forests. That Malaysia for example is 50 percent covered by natural tropical forests, with 20 percent more covered by tree estates is ignored. They insist that we are destroying our forests.

19. Then the currency traders moved in loudly proclaiming that the economies of the East Asian countries were over-heated and that their currencies were over-valued. The currency traders then sold these currencies in the market. It was a classic example of short selling. They claimed they sold the currencies to avoid losses when the currencies devalued. But in fact they held none of the currencies. They merely sold short knowing that by doing so the currencies would be devalued. Then they expected to buy at the lower value to deliver the currency to the people who had bought earlier from them at a higher price. And they netted millions of dollars from this short selling operation. And still they continued to sell and to devalue the currencies.

20. What happens when the currencies are devalued against the US Dollars? All trade is conducted in US Dollars. With devaluation more local currency is needed to pay for imported goods. Suddenly the rich East Asian countries became poor. Malaysia needed twice the amount of ringgit in order to pay for imports. Indonesia had to pay six times the number of rupiahs for their imports. It was the same with Thailand, the Philippines, South Korea and even Taiwan. And because we could not find this much money we were not able to import and enjoy the same standard of living. In other words we became poor.

21. At the same time our economies collapsed. Millions were thrown out of work. People rioted, robbing and burning shophouses, blaming other citizens, killing them and raping the women. Politically and socially the countries became destabilised and law and order were unenforceable. Rebellion broke out. Attempts by law-enforcement authorities to restore respect for the law resulted in accusations of police brutality. The international electronic media covered the riots and showed repeatedly only police action and not the violence of the crowds.

22. The fall in the value of the currency undermined the stock markets. The dollar value of the shares plummeted. To save their investment, foreign investors began to sell and pull out

their money. The market plunged further. Soon the banks accumulated huge non-performing loans and companies became insolvent. They could get no credit to finance their operation. Many closed down and threw millions of employees on the streets.

23. And what did the currency traders and their media say? They claimed they were trying to discipline the governments. They claimed these Asian governments were all corrupt; they practise cronyism; they were not transparent; did not have good corporate governance. They, the currency traders want to bring about more honesty in the governments and better practices in the economies of these Asian countries. They, the currency traders are not to be blamed in any way for they merely wanted to see a better world. If they made money in the process it was incidental. Look aren't they giving away their money to the poor? Aren't they great philanthropists?

24. They are in fact philanderers. They steal from the poor in order to give a minute fraction to the poor. They were trying to play Robin Hood but that hood stole from the rich to give to the poor. These modern hoods stole from the poor. And they have become billionaires. It is no big deal to give a minute amount of their ill-gotten gains to the poor. But their media made heroes of these daylight robbers whose deprivations have resulted in the countries of East Asia remaining unable to recover to this day. Had there been no financial crisis the East Asian countries would become developed by now, able to match the economies of the Western nations.

25. Now we are being pressed to swallow globalisation and the free market. Globalisation we are told will bring prosperity to the poor. This prosperity would come from allowing the big corporations of the world to invade our countries and do what they like. In the free market the most efficient corporations would win because they would have the ability to produce the best products and sell at the lowest prices. Free competition is what the free market is about. Obviously the biggest corporations would win hands down. A level playing field is useless for the midgets and the weak. It will be the law of the jungle, the survival of the strongest. Might is going to be right even more than before.

26. And in confirmation of this the giant corporations are busy merging and acquiring each other in order to become even bigger. There is near monopoly and certainly oligopoly in all the industries. With these hypergiants entering a small country there is no way that the little indigenous companies can survive. There will be no room for them. They will be rubbed out, stamped underfoot like so many insects.

27. Governments will not be able to do anything as the free market is based on non-interference by the authorities. The market is supposed to regulate itself. In fact these corporations will be so powerful that they will control not only the economy but also the politics of a country. We have seen how the countries of Central America have been controlled by the owners and managers of the foreign owned great banana plantations, to the point where they were described derisively as the Banana Republics. The poor countries which become dependent on these huge foreign corporations upon globalisation will be controlled in the same way. There will be no choice for the people. There will be no democracy, despite all the talk about wanting us to be democratic.

28. We are told that these great corporations are so well administered that they will not just bring wealth to the poor but also ensure high standards of morality, of transparency by the native governments. Today we know that this is a joke. Look at the behavior of some of the biggest corporations which were already well on the way to becoming world monopolies. They have no morality whatsoever. They cheat, they lie, they fiddle with their accounts and they are protected by their Government cronies. A few have been exposed. We don't know how many more have been fiddling while the world's economy burns. Every week there is a new exposure.

29. And these are the people who are supposed to bring us prosperity, who are going to discipline us and ensure that we have high moral standards. It is a big laugh.

30. Unfortunately for us it is not a laughing matter. Economic pressure is very real. The promotion of democracy may not be because democracy is good. It may be because democracy can destabilise us. I am all for democracy. It is the best system of governance ever devised by Man. But it does not always work. People must be sophisticated and must know the limits if democracy is not to end up in anarchy. The great liberal democracies of the west have had some two hundred years of experience, of trials and errors and frequent abandonment of the system before it developed to the present state. In most of these countries there are only two effective political parties and one or the other can achieve majority and set up a government.

31. But the people in the new developing democracies only understand their rights and their freedom. For them democracy means setting up political parties, any number of them in order to vie for political position. For them freedom means saying anything against each other without regard to the sensitivities and consequences. For them freedom means taking

to the streets and rioting. For them freedom means breaking up the country to set up their own little states.

32. Where there are numerous parties, most of which are regional and not national, or they are extremely racial or tribal, majorities cannot be achieved in elections. Either minority governments or shaky coalitions have to be set up which are so preoccupied with trying to remain in power that the running of the country, the development of the country is neglected. Corruption must of necessity be a feature as politicians try to make the most of their temporary power. Every time a new government is set up the previous government leaders are accused of corruption, are hunted and jailed or deprived of their political rights. And the accusers become the accused when they in turn fall.

33. When governments are stable or remain in power for long, even if they are democratically elected and above board they are accused of being undemocratic. The international media and the governments of the liberal countries will all work hard to undermine these countries. They cannot bring themselves to believe that the people want it this way. They cannot believe that the natives they had ruled before understand democracy or the rule of law. If they are stable and doing well then they must be dictators. They fabricate stories that although the people support the leaders of these countries enthusiastically, actually they are forced to do so, to shake the hands of these leaders, forced to smile and shout their support. Or they would report despite evidence to the contrary that these leaders were ignored by the people, that the people fear them. For the media and the Western Governments there is nothing right that these governments of the natives can do. And because they have convinced themselves through their own lies that these governments are bad, they would do their best do destabilise these countries. They would support and encourage anyone, NGOs in particular to overthrow the government.

34. Some 50 years ago many of the colonies of the Western countries gained independence. But very quickly they realised that they had gained nothing of the sort. Economic pressure was used to deny independence for these countries. It was President Sukarno of Indonesia who first recognised this and called it Neo-Colonialism. He was laughed at by the world. But today economic pressure has replaced the gunboat to threaten independent countries. Just as in the colonial era the regions of Asia, Africa and Latin America were unable to defend themselves, today the newly independent countries are unable to defend themselves.

35. They are terrified of being colonised once again through economic pressure coupled with the propaganda of the media. They are being terrorised; terrorised in the same way that the terrorists are threatening the world. Only economic terrorism is made out to be legitimate and to be deserving of support by everyone, including us in the developing countries.

36. If we are going to fend off this economic terrorism, we must first understand what is hitting us. Then we must work together within our own borders and between our countries. We are weak and we are client states, dependent on aid and loans. But still it is possible to take a common stand to fight off the threat. In this we will not be alone. There are forces within the rich countries themselves which are with us and we can enlist their help.

37. It is not that globalisation and the free market are bad. It is merely the interpretations of these ideas which are bad. If we come up with a proper interpretation, with proper safeguards for us, which recognise our weakness and our need for time, then globalisation and the free market can help us achieve economic growth and maintain our independence. It is entirely possible to do this. The debate must go on, and, God willing we will create a better world for ourselves and for the rich as well.

38. Economic terrorism must be defeated. The war against terrorism must be total and the end results must benefit everyone.