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(PRIME MINISTER)

EVENT: THE OPENING OF THE COMMONWEALTH FINANCE MINISTERS

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TIME:

Firstly I would like to welcome the Finance Ministers of the Commonwealth to Malaysia. We in Malaysia are still basking in the glow of the privilege and honour to host the meeting of the Commonwealth Heads of Governments two years ago. We believe that the meeting had been very beneficial to us and hopefully to the Commonwealth.

2. Your meeting, following soon after the Commonwealth Heads of Governments' meeting in Malaysia will, we hope, contribute further to the meaning and value of the Commonwealth as the Heads of Governments meeting in 1989 did. Very soon the Heads of Governments of the Commonwealth will be meeting again in Harare, a meeting that will be historic not only because of the things that are happening in South Africa, a former Dominion and member of the Commonwealth, a meeting that will be attended for the first time by Namibia, only recently freed from white supremacist South Africa, but also because the Commonwealth will be deciding on the new role it will play in the future. That meeting will discuss the findings and recommendations of the High Level Appraisal Group, commissioned by the Commonwealth Heads of Governments Meeting (CHOGM) of 1989 in Malaysia.

3. It is the common practice now for the Ministers of Finance of the Commonwealth to meet before going on to meet the Ministers of Finance of all the countries of the world, along with the Central Bankers and others at the Annual Meeting of the World Bank and the International Monetary Fund. This year you will meet in Bangkok, only 1 1/2 hours flight from Kuala Lumpur.

4. I hope that your meeting here is not because of logistical convenience alone. I hope that you will hold substantive discussions which will help you to appreciate the financial and other problems of the countries of the Commonwealth, to understand each other, to formulate certain common stands which will be beneficial to the members as a whole.

5. Meetings of world bodies should be attended by all the countries of the world. But there is such a great disparity between the powers wielded by the members of world fora that

a small little country is often completely lost, its voice completely ignored and its interests relegated to the back-ground.

6. However if the Commonwealth countries work in concert, decide on common stands after the meetings of their Finance Ministers, meetings during which the weak members had made their voices heard, then it may be possible for the Commonwealth as a group or for the stronger members of the Commonwealth to lend weight to the arguments and pleas of the weak.

7. The need for the weak to be heard is much more urgent now for we hear talks of linking aid and trade to democracy, to human rights, to workers rights and to the environment.

8. Let me make it clear that Malaysia is all for democracy, for the protection of human rights and the rights of workers, for press freedom and for keeping the environment unpolluted. Malaysia practises democracy, upholds human and workers rights and strives with all its limited capacity to protect the environment. But acceptance of all these noble principles cannot always guarantee the well-being and prosperity of peoples and nations.

9. We are seeing today a most glorious counter-revolution. We see the death of Communism and the birth of Democracy and the adoption of the free market system all over the world. But it would be naive of us to fail to see that the initial fruits of the espousal of democracy and the free market are not the expected wealth and prosperity or even of stability and freedom from fear. In many of the countries of the Soviet Union and Eastern Europe we are seeing increasing poverty and economic chaos, political instability and civil wars, death and destruction.

10. We must not be disheartened by these things, of course, but we should acknowledge them and be more cautious and circumspect before we link aid and trade, we twist arms in order to force democracy and all the other noble ideas and concepts down everyone's throats.

11. Democracy is great. It is the least imperfect of the systems of government devised by man. But please note that it is not absolutely perfect. To work, democracy cannot be just adopted as a system. To work, the people as a whole must understand how it works, how to make it work, how to be wary of its imperfections and how to handle them. It is not just governments which must practise democracy. The people as a whole, the political parties, the oppositions, the NGOs and the pressure groups -- they must all understand the workings and the limitations of democracy. And the same applies to human rights, to workers rights, to press freedom and to environmental protection.

12. Let us not concentrate only on how successful the oper-

ation is and care not whether the patient dies or not. Mr Gorbachev almost died because he thought that the mere espousal of democracy and the free market would solve all the problems of the Soviet Union. Clearly for the Soviet Union, there is yet no tangible dividends from glasnost and perestroika. The end of the Cold War has so far benefitted only the other party to that war.

13. We should use whatever leverage we have to spread the gospel of democracy, human rights, etc. But we must be very careful, lest in our missionary zeal we destroy the very people we wish to help. On the other hand, we cannot stand by and watch as dictatorships violate the rights of their people to free choice, to freedom from oppression, and to sustaining human dignity.

14. The Minister of Finance in any country has an enormous responsibility. Whether the people or the country prospers or not depends very much on the skills of the Minister of Finance, on the power and influence he wields. It is not just having money that counts. It is how that money is spent and invested that will determine whether the country will develop and grow or regress and wither away. Of course, if the Minister of Finance has no money at all, there is precious little that he can do.

15. Aid and trade are two things that concern all the Ministers of Finance. But even the rich countries which need no aid has to manage their finances well if they are going to remain prosperous. So let us not be too ready to condemn failure and to apply sanctions, but instead let us help each other first.

16. Some of us are successful and some of us fail in the management of our finances. Malaysia believes in learning from others. We devised the Look East Policy not because we want to be a colony of Japan, but because we feel we can learn from how Japan managed to emerge from a most devastating war, including the destruction by atom bombs, to become the greatest economic power.

17. Perhaps the Ministers of Finance of the Commonwealth and other economic ministers can help their colleagues upgrade their skills and learn of the approaches towards a more sound management of financial performance.

18. Next to attitude, we in Malaysia think skills are very important. Wealth can be dissipated in no time. But skills can sustain wealth and make it grow more.

19. We have a problem in Malaysia. We have a multiracial population separated not just by the fact of race but by economic roles and performance. Even in a homogeneous society, extreme differences in wealth among its members tend to arouse envy, antagonism and conflict. The basis of the Communist and Socialist ideologies is the unequal distribution

of wealth and the wide gaps between the rich and the poor. If in addition the rich and the poor are also separated by ethnic origins, then the potential for conflict is even greater.

20. Malaysia has that potential. The peoples of Malaysia are separated not just by race but also by their wealth. We have all the ingredients for social conflicts and violence.

21. The simplistic approach is to give everyone equal opportunities and let them achieve their own levels. This is very democratic. But we know and you know that equal opportunities do not give equal results. Indeed they are likely to enhance the differences. Asking a lame man to sprint with an athlete from the same starting point will not result in their reaching the winning post together. The likelihood is that they will be much further apart. Similarly even the most egalitarian democrats subscribe to taxing the rich to provide for the poor. A handicap is not undemocratic. It is very egalitarian. Again, to draw the same analogy, a successful operation is not good enough. The patient must survive and get well.

22. And so in a world so enamoured with democracy and equality, let us remember that handicaps i.e. positive discrimination or affirmative action are still necessary in order to be equal.

23. The Commonwealth Ministers of Finance will be going from here to Bangkok for the World Bank and International Monetary Fund conference. As a group they should understand the problems faced by their weakest members and help fend off the more extreme demands that will be made upon them.

24. The World Bank is about to insist on new conditionalities for aid and loans. The Commonwealth should not just go along with the World Bank. The Ministers of Finance of the Commonwealth should appreciate the difficulties of the weak, the recipients of aid and the debtors.

25. We should not protect the profligate and the irresponsible. But punishment by deprivation is not the only means of correcting aberration. Indeed it may not correct anything at all. Understanding and the upgrading of skills in financial management are also methods of corrections.

26. The debtors and the recipients of aid must also acknowledge their need to accept reasonable actions. No one will help if that help is going to be frittered away or to be used to oppress or to sustain authoritarian rule.

27. The restructuring of debts cannot be resolved by merely asking the debtors to practise thrift and cut back on development. The lenders and the agencies must actively provide guidance and help. The debtors for their part must accept

guidance and direct help.

28. It is acknowledged that there may be political reasons for recalcitrance on the part of debtors. This should not be simply condemned. They should be studied and solutions found.

29. The same applies to aid. Do not just hold back aid because of alleged breaches of human rights or whatever. The donor and the recipient and possibly a third party should study how best to continue to give aid but control the breaches of human rights.

30. The Ministers of Finance of the Commonwealth must be committed to free trade. Where there are no breaches of freedom, democracy, human rights, workers rights, free speech, environmental pollution, etc. , there should not be protectionism and regulated trade. GSP status should not be reviewed merely to slow down the growth of developing countries which conform to all the conditions.

31. There should not be a continuous effort to erect new conditionalities for trade. We have now the intellectual properties and the Watch List. Already some vulnerable countries are feeling that they are being put under surveillance like criminals. But there is now a new twist to the environmental conditions. Goods must be recyclable.

32. This will affect the manufactured products exported by the poorer countries which use borrowed technology and have limited capacities to innovate and adjust to new conditions. At the same time since the poor countries are also the producers of the raw material for manufactured goods, recycling will reduce the demand for the raw materials involved, thus making the poor countries even poorer.

33. The linkages between trade and aid with the democratic practices of a country should not be selective. Friends or foes should not count. It would be a mockery and a farce if friends can get away with dictatorships and oppressions while those who are not friendly and given to plain speaking are subjected to the proposed pressures.

34. I would like to think that whatever we expect a country to do within its boundaries, we should also be able to do outside our boundaries i.e. between peoples and nations. If we say that there should be freedom of speech within a country then we should also allow a country to speak its mind without punitive action being taken against it if it does.

35. It would be difficult for international conferences to be held if we fear punitive actions for what we say. We would then be less than frank and we would not be able to contribute positively towards the solution of problems.

36. I should hope that this Commonwealth Ministers of Finance meeting in Kuala Lumpur will be characterised by frank and constructive discussions. I would hope that the same frankness should also characterise the World Bank and the International Monetary Fund meeting in Bangkok. Then and only then can we hear the truth and find solutions.

37. With this hope I now have much pleasure in declaring open the Commonwealth Ministers of Finance meeting.