

SPEECH BY: DATO' SERI DR MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: THE LANGKAWI INTERNATIONAL DIALOGUE

VENUE: THE BERJAYA BEACH RESORT LANGKAWI

DATE: 25 JUL 1999

TIME:

" GLOBALISATION AND SMART PARTNERSHIP "

There is no doubt that globalisation is an idea whose time has come. We all must therefore be prepared to accept it.

2. But whereas the idea has come, it is far from clear. So far the interpretation or definition of globalisation has been made largely by the rich countries. Not surprisingly the interpretation of the concept would result in gains by them. If they are the only ones to gain, whether the idea is timely or not, there is no very good reason why the poor countries must also accept globalisation.

3. There was a time when the idea of colonisation and imperialism was acceptable. It was natural almost for European nations to colonise the rest of the world. Even the smallest European nations regarded it de rigueur for them to acquire vast territories in Africa, Asia and South America and rule them as colonies.

4. For a long time no one, not even the colonised Asians or Africans, questioned the rights of the European to occupy and rule their lands. Europeans even invented the idea of their God-given right and responsibility to rule. It was the White Man's burden. They have been especially chosen to bring their civilising influences to the natives, sometimes referred to as the savages.

5. When an idea has come and is accepted it becomes so entrenched that it is very difficult to say or do anything that is against it. To do so would involve charges of heresy. The dissenter becomes the object of universal opprobrium. He is castigated by all and shunned even by his friends or his own kind.

6. It takes time for the defects and ill-effects of the idea to emerge and to be recognised. Thus

Communism and Socialism as ideologies may not be criticised or rejected where these ideologies had become accepted. Everyone whether he believed in them or not, would sing their praises. Not to do so would incur the wrath of the community or people. Of course it may result in painful punishment, even death in many cases.

7. The fact that when these ideologies were introduced one of the objectives was to banish the oppression of feudalism or capitalism did not prevent the Communists and Socialists from indulging in the same kind of oppression when they were in power. It would seem that oppression is only bad if it is imposed by others against oneself. If one gets into power and indulges in the same kind of oppression against others it is acceptable.

8. Thus the rule of the Czar of Russia was oppressive, but the rule of the Communists was even more oppressive. Not only were the feudalists and capitalists liquidated i.e. massacred, but even workers who disagreed suffered the same fate.

9. It took a long time for Communism and Socialism, the ideas whose time had come, to be rejected and discarded. A lot of cunning and determination was required in order to reject an accepted idea.

10. Gorbachev and De Klerk are two of a kind. To get rid of ideas which they believed to be wrong and harmful they had to hide their intentions until they reached the pinnacle of power. Then and then only did they reveal their true feelings about the ideologies they had apparently believed in and propagated in the past. Had they revealed their intentions before they attained supreme power they would have been summarily removed. Their career would have ended as the fanatics would have refused to support their bids for leadership and would have ensured only pure believers would lead.

11. Using whatever power or influence over the party, the fanatics would have ensured that the heretic would be thrown out and prevented from propagating their heretical ideas. Thus an idea which has outlived its time would go on being practised and would continue to do harm for much longer than it should. Until someone like De Klerk and Gorbachev emerged who were clever enough to hide their ultimate intentions, an idea whose time is over may survive. And the damage that it may cause may continue for long after the people had in their hearts rejected the idea.

12. This digression is necessary in order to appreciate that an idea whose time has come may not be

the ideal that it is made out to be even as it is put into practice. Throughout the history of mankind there had been innumerable ideas which had come, had been accepted as ideal and infallible, only to be found wanting in every way as to be discarded. Feudalism, the Divine Rights of Kings, Republicanism, Communism, Socialism, dictatorship and numerous others are among the ideas thrown up by Man in his quest for a perfect system. They all have gone the same way. They are all now in disrepute and have been discarded, to be replaced by new ideas whose time it was said had come.

13. The nation-state which we are all urged to dismantle in order to make way for globalisation is largely the result of the evolution of tribalism. In Europe the nation-state realised its peak of sophistication, where loyalty to the country of one's birth entails making the supreme sacrifice for its defence and offence. Such is the loyalty expected of the nationals that even when the country is obviously in the wrong loyalty is still expected. My country, may it always be right, but my country right or wrong expresses the thinking and attitude of European nationals towards their country.

14. And so people go to war to defend the nation-state. Throughout the 2000 years of European history not a year passed without at least one war between the numerous nations of that continent. Nationalism and wars of conquest naturally lead to expansion of states and then to empires. There seems to be no limit to such expansionism. Empires of European states eventually covered the whole globe.

15. In the years following the Second World War, which include the Pacific War, the empires came into disrepute and were dismantled. Actually it was the fear of the spread of Communist ideology among the colonial people which prompted the break-up of European empires outside of Europe.

16. The lands liberated by the demise of the empires should have reverted to the status quo ante -- to tribal territories ruled by different tribes. But the departing imperialist had so successfully implanted the idea of the nation-state that the newly independent peoples opted for the totally foreign concept of nation-states. It was believed that different tribes and races could be made to forget their tribal or racial origins and give their undivided loyalty to the new nation-states whose boundaries had been arbitrarily demarcated by the European colonisers. With tribalism and racial loyalties still very strong it is a wonder that any of the new nation-states survive at all. As it is, many of them are ungovernable.

17. Intractable tribal and racial wars have become such a feature of these artificially created nation-states that it is quite likely that some will eventually break up. Certainly they would remain unstable and incapable of prospering.

18. The new nation-states have hardly understood the concept of the nationalism and national Governments before they are urged to give up their national identities in order to embrace the totally new concept of a global state, for that is what globalisation is all about.

19. According to the great thinkers and ideologists of the West, globalisation is about breaking down national boundaries as barriers to the flow of capital and goods to wherever they can make the most profit. Since capital and practically all the goods belong to the developed and the rich, the opening of borders must result in the poor having to accept inflows of everything from capital to manufactured goods and even services from the rich. The result must be massive outflows of whatever foreign exchange the poor countries have.

20. Still it looked good at first as capital inflows helped the setting up of industries and boosted the local stock market. Jobs were created in large numbers and earnings at all levels increased. The economy grew for some and imports could be paid for. Export oriented foreign-owned industries helped to earn needed foreign exchange to pay for imports.

21. Developing countries which accepted the free inflow of capital and goods grew and prospered. Nationalistic countries which had jealously protected their markets were persuaded to open up. Thus Southeast Asia achieved high growth due to opening up their countries to foreign capital, goods and services. But certain restrictions were maintained in order to allow local companies to emerge and grow along with the countries' prosperity. Banking in particular was confined largely to nationals.

22. These minor restrictions coupled with what appeared to be inefficient Governments prevented the foreign capitalists from exploiting to the full the potentials and wealth of these countries. They felt that these were irritants which must be got rid off.

23. Destroying in order to rebuild is of course not a new idea. Phoenix is supposed to rise from the ashes. If prosperity did not result in the newly industrialising middle income countries recognising

their faults and taking corrective measures, could not a downturn and economic turmoil awaken them to the need for change and for reforms in their Governments and their practices?

24. Destroying is always easier than building or creating. In this instance it was necessary only to pull out the capital and the economies would collapse. If an inflow of capital could build economies an outflow especially a rapid outflow can be expected to destroy them.

25. And so borderless capital was pulled out. More than that through currency trading money was devalued so that the countries are left with practically useless money which could pay only for a fraction of the needed imports.

26. The result was unprecedented -- rapid recession and economic turmoil. The people became restless especially when efficient propaganda machines of the currency and market manipulators convinced them that their problems were due to their Governments being corrupt, non-transparent and given to nepotism and cronyism. Accordingly the people should agitate for reforms which must lead towards opening up the countries to the totally free flows of capital. There should be no more restrictions of any kind. Local considerations must be ignored.

27. If the Governments refuse then they should be overthrown and replaced by Governments more willing to adopt the practice of allowing for free flows of capital and goods, i.e. to globalisation.

28. The economies of East Asia were all but destroyed through currency devaluation and stock-market manipulations. Banks were forced to close and those which could remain open suffered runs and became moribund with huge non-performing loans.

29. The businesses lost market capitalisation as their share plummeted and they could not meet margin calls. Deprived of credit their businesses grounded to a standstill. Many went bankrupt and where the IMF had forced open the market, many good businesses and banks were sold literally for a song to foreign predators.

30. When a currency is devalued and share prices depressed, in terms of foreign currency everything including shares and properties become extremely cheap for foreign buyers. The Malaysian Ringgit was devalued by almost 50 percent which reduced Malaysian shares to

half their price in terms of the US Dollar. When the share prices went down by 90 percent, the share value in foreign currency is reduced to five percent of the original value. Thus foreigners with dollars can snap up these formerly good companies for just five percent of their price if they are allowed to.

31. When businesses fail the Government gets no revenue. The Government will have to borrow. The IMF will lend but with conditions which will in effect result in total foreign control of the economy. If a country refuses to accept IMF loans and conditions and tries to borrow foreign currency from the market the rating agencies would downgrade the country's rating so that interest would be so high as to make foreign borrowing suicidal.

32. All Governments subsidise businesses if for nothing else to reduce the cost of living for the people. The IMF directs that subsidies must be removed. At a time when people have lost their jobs and incomes, removal of subsidies is cruel. But the countries indebted to the IMF must comply or the promised loans would not be made available.

33. The direct result of the removal of subsidies was to agitate the people and precipitate riots, looting, raping and murder. In the end the Government is overthrown and a more compliant Government put in place. But the problem is not resolved, certainly not immediately. Instability, inflation and recession continue as the currency traders go on to devalue the currency further.

34. All these have a very direct connection with the free flow of capital across borders in a globalised economy. Currencies do not devalue themselves. They have no built-in sensors. Governments and currency traders, people devalue or revalue currencies. Governments devalue currencies in order to help their countries by reducing the costs of goods exported. Governments are not interested in making a profit for themselves through devaluation.

35. But currency traders devalue currencies for profit. They may claim that they are disciplining Governments but they will not discipline Governments if they are going to lose money in the process.

36. Clearly the currency traders and the stock market manipulators are unscrupulous. They don't care for the social cost, the poverty and the misery they cause. Since globalisation affords them the opportunity to exploit, they will exploit. And we have seen how their exploitation results in financial and economic turmoil

and in political upheavals all over the world.

37. Has the world economy gained by their exploitation of the globalised market? They have no doubt brought prosperity for their own countries. But everywhere else throughout the whole world they have caused economic turmoil and regression, and the destruction of the wealth which had taken decades to build. World trade is badly disrupted, affecting even the wealthy developed countries. Truly the poverty they cause is very many times greater than the profits they make and the wealth they bring to their own countries. It is worse than a zero sum game. The wealth of whole nations is destroyed in order to give a little profit to a few people.

38. Admittedly the economies of East Asia are now showing signs of recovery. But this is due to the currency traders and the short-selling manipulators being curbed. Their greed and excesses which caused the LTCM disaster have resulted in banks denying funds for their activities. At the same time there was a fear that if they were not curbed then the countries affected might take action by regaining control over their currencies or merely refusing to pay their debts. The recovery of the economies of East Asia is not even due to the loans extended to them by the IMF. It must be noted that these loans are largely for paying the loans due to foreign banks.

39. The experience of East Asian developing countries is that the free flow of capital across their borders can result not just in economic well-being but can actually destroy their economies. The destruction is actually far greater than the contribution to growth. What had taken decades to build can be destroyed in a matter of days or weeks. The subsequent turmoil far exceeds the benefit of the inflows of capital.

40. It must be admitted that foreign capital invested in permanent industries are not harmful. They cannot easily liquidate and take out their money. It is the short-term investments in stocks and shares which can do massive damage. They can be suddenly liquidated and the money pulled out. Of course the currency traders invest in nothing at all. They merely do short-selling of currencies which they borrow in order to devalue them and make billions overnight.

41. If free capital flows and currency trading are manifestations of a borderless globalised world, is there any reason why the developing countries should accept globalisation unquestioningly? The risk and the destruction are simply too great for them. Rescue operation by the international agencies can saddle them

with more debts which they may never be able to repay. Rebuilding their economies would take decades. Placed under the supervision of the international agencies they would lose control over their economy. And as can be seen in some cases even their politics can come under the control and manipulation of foreigners. Globalisation can therefore result in loss of economic, political and social independence. This is too high a price to pay for the dubious benefit of gaining access to the markets of the rich for goods which they do not produce.

42. Besides, the markets of the rich are easily closed by other means e.g. by raising standards to a level the poor countries cannot meet. As for their raw materials the prices can be manipulated very easily. For decades now increasing amounts of raw materials and commodities have to be sold to buy less and less of the manufactured goods of the rich. The terms of trade have consistently been in favour of the rich.

43. Globalisation can bring benefits but only if it is given a human face, if it is governed by rules and practices which can ensure that the poor countries will not be faced with repeated economic turmoil and regression. It is entirely possible for this to be done. But it can only be done if the international community including the poor are given a say in the interpretation of globalisation. Currently the poor have hardly any say. Many who are obliged to the rich for aid and loans are not able to speak out.

44. The first thing that everyone must admit is that a level playing field is not enough. The players must at least be of the same size. If that is not possible then handicaps must be given to the disadvantaged. It has always been so in sports and there is no reason why it cannot be in international competition where the competitors are even less evenly matched.

45. Secondly, in order to have free trade we must regulate. We have to discard some regulations but they must be replaced with new ones worked out by the international community and enforced by truly independent international agencies, not the ones which are under the control of the powerful and the rich.

46. There must be transparency in trade and dealings between nations. No one, certainly not the currency traders and market manipulators should be exempted from the requirement to open their books. There must be limit up or limit down provisions so as to prevent excesses.

47. Loans extended by banks must be prudent and

balanced. If countries are subjected to ratings so must the hedge funds. They may not leverage by more than a reasonable multiple of their assets. And those competing with them as well as the Governments must be able to leverage by the same multiple at reasonable rates.

48. Ratings must be done by international non-profit organisations financed by the international community. No one should dominate through too high a proportion of the financing.

49. There must be a tax on all international speculators. They may not operate out of offshore financial centres. The tax must be shared so as to help the countries ravaged by them to recover.

50. These are some of the things that can help give a human face to globalisation. There must be many more things that can be done which can make globalisation more welcome by all, including the poor.

51. Globalisation, a borderless world is already a fact. In the field of information distribution and E-commerce, borders mean very little now. But the fact that globalisation has come and is apparently irresistible does not mean that we should just sit by and watch as the predators destroy us.

52. Those of us who believe on sharing, in prospering our neighbours; we certainly cannot just submit. Many of us still remember the days of colonial subjugation, the pain and the humility. Many still bear the scars of the unequal battles for our independence. We fought for hundreds of years. We have only just won. We have hardly tasted the fruits of our sacrifices. We cannot now be forced to submit to foreign domination once again. It may not be the raw colonialisation that we knew but it is not too far different.

53. We must therefore work to put a human face to globalisation. As during our struggle for independence, there are many among the rich who are with us, who appreciate our views. Let them join up and be counted. Let them join us in our new struggle to preserve our self-respect and our rights.

54. I am not being rhetorical. I am not over-reacting. I am not being alarmist. We in Malaysia have been through two terrible years fighting shadowy predators. We have barely survived. I wouldn't like to see friends going through what we went through.

55. I have therefore tried to give a true picture of what globalisation can mean if present interpretations are accepted unquestioningly. I hope you will find

discussion on this subject enlightening.