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**"SMART PARTNERING FOR NEW ECONOMY"**

I note that the theme of this year's dialogue is global trends and emerging economies. I would like to take this opportunity to touch on a few aspects of globalisation.

2. Let us be reminded that globalisation is not merely a process but has also become an ideology. From one international forum to another, the proponents of unbridled, supposedly 'unstoppable' forces of globalisation and trade liberalisation continue to sing their song of "the ticket to a better life for everyone". This ideology is preached to us as being full of glorious benefits. I continue to look long and hard for evidence that this may in fact, be true. But all around, the arrows point in the opposite direction. Sadly, the number of downturns and negative aspects of globalisation which many of us have actually experienced are seldom mentioned or discussed. If they are, they are not attributed to globalisation but to things like bad governance, lack of democracy, cronyism etc.

3. In nation building, when caution is not exercised and care not taken; when the interest of people and nations are gambled upon on the basis of an 'ideology', when decisions are not grounded in reality and the hard facts are ignored, there will be calamity. The promoters of the ideologies are of course to blame. But we who make the decision to convert cannot be totally blameless. How many times have we seen ideologies destroy nations and yet when a new ideology is promoted we accept it as the perfect and infallible solution to all our problems.

4. The man in the street may be oblivious to the forces of globalisation. Yet it will affect him with as much intensity, as it will the heads of Government and captains of industries. The reactions of Governments and industries to globalisation will bear finally on

the ability of individuals to enjoy economic freedom and empowerment; and whether individuals live in a free land and be master of their own destiny. Globalisation merits serious thinking and we need to strategise our responses to the major issues ranging from business globalisation and trade liberalisation, sustainable development, the knowledge-driven economy and the socio-political concerns such as democracy, the rule of law and human rights.

5. If the amount of money circulating around the globe is anything to go by, we are trading more now than at any other moment in human history. Financial liberalisation has certainly been extensive, and the world has borne witness to massive financial flows and market penetrations. The volume traded in the world foreign exchange market has grown from a daily average of 15 billion US Dollars in 1973, to over 900 billion US Dollars in 1992, and the number today far exceeds 1000 billion US Dollars a day.

6. But where does all this money go? What productive and essential economic activities does it support? The hard reality is that a mere two per cent of foreign exchange traded is used for trade payments. The rest of the transactions are all speculative in nature. And speculation is non-productive. In fact it is truly destructive, as the East Asian economies learnt to their cost in 1997-1998 financial and economic turmoil.

7. Who benefits from all of these so called 'trade liberalisation'? The beneficiaries are clearly a select and privileged group. The top fifth of the world's population in the richest countries enjoy 82 per cent of the expanding export trade and 68 per cent of FDI -- the bottom fifth barely more than one per cent. Between the periods 1980-1996 only 33 countries managed to sustain three per cent annual growth. For 59 countries mainly in sub-Saharan Africa and Eastern Europe and the CIS, GNP per capita had in fact, declined.

8. Twenty per cent of the world's population in the developed countries receive 82.7 per cent of total world income, while the 20 per cent of the world's population in the poorest countries receive only 1.4 per cent. In 1989 the average income of the 20 per cent of people living in the richest countries was 60 times higher than that of the 20 per cent living in the poorest countries. What is more alarming is that this ratio has doubled, from 30 times in 1950.

9. The glorious promises of globalisation have yet to materialise. A reckless approach to trade liberalisation without due consideration for one's own ability to cope will only contribute to a vicious cycle of trade and balance of payments deficits, financial instability, debt and recession, not to mention the

social costs of dumping and general economic erosion. A misstep carries with it a cost no less than catastrophic for nations and people. A blind acceptance of an ideology that to date stands as just that -- an ideology -- is unacceptable, naive and downright dangerous.

10. To equate globalisation with a guarantee for economic advancement is a gross oversimplification of the realities that surround international trade. Despite the best intentions and most progressive macro economic policies of developing nations, better trade performance does not necessarily translate into increases in living standards. Given the international division of labour, where high-priced goods are produced by the advanced nations of the world, and the production of low-value items are relegated to developing nations, the terms of trade for developing countries are almost always unfavourable.

11. I am not convinced that the developed nations are at all interested in this so-called 'level playing field'. Globalisation as it stands clearly means access of products of developed nations into the developing world. And yet, high tariffs still persist in developed countries in sectors such as agriculture, textiles and steel in which developing countries may have comparative advantage. If not tariffs, then it is standards, subsidies, labour conditions, human rights - the goal posts keep changing against our favour.

12. This clearly calls for a new way of thinking, for developing nations to chart a new paradigm in nation building such that old mistakes are not repeated. Given the onslaught of voices propagating the good of an open and liberal economy, sovereignty as a basis for self-determination and empowerment seems contradictory and out of place. Yet at no time is it more relevant than it is now.

13. It is not without a good reason that the last WTO round in Seattle came to a stalemate. Nation building is not only about the lowest cost, it is equally about social justice and a conducive environment for the development of human dignity. A grain of rice or wheat or maize or barley is not simply an issue of how much it cost to produce but does the person planting it make a decent living? And who ends up eating the produce? Nation building is about the ability and freedom and flexibility to make strategic choices in finance, trade and investment for oneself. If nations are willing to accept higher prices in order to acquire the technologies to compete later, that should be the right of sovereign nations to decide.

14. It is ironic that the very same people who advocate freedom of speech and rights of expression are

the very same to clamp down hard on what they see as dissenting views on their brand of globalisation. Malaysia's rejection of the IMF formula and the decision to regain exchange rate control and regulate the flows of short term capital have now been reluctantly accepted by the international community as a viable alternative to the IMF prescription. By their own admission, a 'cure all' for economic ills of the world simply does not exist. Yet barely are we out of the crisis, a new 'prescription' is being forced down our throats. How soon we forget. And what is the price of such a memory lapse?

15. Developing nations must ask themselves where they want to go from here. What are the options open to them and what they intend to do about it. While the developed world embraces the new knowledge-driven economy in all eagerness, developing economies, to the level that is comfortable and attainable, must also embark on a quest for knowledge in all its forms. Knowledge is the domain of all the citizens of the world and cuts across all strata of economic activity. It is certainly not limited to cutting edge technology and the ICT sector, as we are commonly led to believe.

16. It is on this premise that Malaysia has embarked on an agenda for intensification of knowledge use in all sectors of the economy, new and traditional. This entails the concerted effort of all stakeholders in the Malaysian economy to acquire and generate bodies of knowledge. Coupled with the ability to effectively translate knowledge into technological and social advancement that elevates the living standards of the populace, this is empowerment in its truest sense.

17. 'Technology-based economic development' is a unique phenomenon. Development was once a matter of accumulating physical and human capital. Within that process there is what is known as the 'convergence factor'. This assumes that a well-governed developing country experiences high returns from investment, which in turn attracts an inflow of foreign capital, thus narrowing the gap between rich and poor nations.

18. Technological advancement, however, dances to a different tune. With increasing returns to scale in their favour, regions with advanced technologies are best placed to further innovate, with the gap between the technological haves and have-nots ever widening. Innovation requires physical, financial and social infrastructure -- demanding even to the most advanced of nations. But a developing country grappling with limited resources and a multitude of needs will fail to innovate. Worse still whatever talents they may have would be enticed away because they lack the facilities and could not match the terms offered by rich countries.

19. Emerging economies, therefore, must see the process of globalisation from all aspects. Most decision making at the international level seemed to safeguard the interests of the more matured economies without regard to national sovereignty, economic freedom, economic empowerment, socio-economic programmes, and technology development agenda being undertaken by developing nations.

20. It is precisely in this context that the Smart Partnership practice promises to make the most impact. Smart partnership can help unify concerns and actions and to formulate a common stand and embark on cooperative actions in order to counter any perceived negative forces of globalisation affecting the emerging economies. The smart partnership dialogues, such as this, can well serve as focal points to deliberate and share our views and experiences and to nurture continued interactions among members and smart partners in between dialogues.

21. I observe that CPTM, the Commonwealth Partnership for Technology Management, can assume a catalytic role in synergising the many different dimensions of the subject of globalisation with a truly achievable 'win-win' result. 'National smart partnership hubs' will have to come forward, and work closely with CPTM, and set priorities for action. In this regard, I would like to offer MIGHT, the 'Malaysian smart partnership hub' to assist whenever we can.

22. I wish all smart partners a fruitful and stimulating dialogue.