

**SPEECH BY THE HON TUN DR MAHATHIR BIN MOHAMAD AT THE CONGRESS OF BOSNIAN  
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**“GLOBALISATION”**

I would like to thank the congress of Bosnian intellectuals for this invitation to speak about “globalisation”. Let me begin by stating that globalisation is not new. It started the moment it was proven that the earth was in fact a ball-shaped planet that could be circum-navigated in practically any direction. The discovery was made not from scientific curiosity but from the need to trade with faraway places, principally the Far East, the great industrial centres where marvellous products such as silk, lacquer ware and ceramics were manufactured and spices grown. These products had reached Europe via two principal routes – the overland silk road across central and west Asia, and the sea routes from china and Japan down the south china sea, up the straits of Malacca, across the Indian ocean, up the red sea and overland to the Mediterranean. There was no Suez Canal at that time of course.

Before the European discovery of the sea passages to the east the traders were mainly Arabs, Indians and Chinese together with the Turkic peoples who inhabited the land along the silk road of central Asia. It sometimes took years for the products of the east to reach Europe. It was not a two-way trade because until the industrial revolution, Europe had nothing that eastern Asian peoples wanted to buy. The western Europeans paid for the products with gold and silver, mostly obtained by plundering the lands of the central and South American Indians. Later when the English traders ran short of precious metals, they tried to pay with opium. This resulted in the opium war with china and the boxer rebellion.

The Portuguese, Vasco da Gama pioneered the sea-route down the west coast of Africa and around the Cape of Good Hope to cross the Indian Ocean to the spice islands of Southeast Asia, to China and Japan. With this the Europeans gained a trade route that would enable them to ignore supplies via the Silk Road or the red sea. European traders sailing this route in their own ships would be able to buy spices, lacquer-ware, porcelain, silk etc at source very cheaply and make huge profits selling them in Europe.

Columbus's so-called discovery of America, also with the intention to find a trade route to India, resulted in immense wealth for the Portuguese, Spanish, English and French from the gold and silver mines of the Americas. Subsequently Magellan sailed around Cape Horn, across the Pacific and proved once and for all that the world was indeed a round ball, a globe that it was possible to sail continuously due east or west and come back to the starting point. Actually Magellan did not circumnavigate the globe as he was killed in Southeast Asia. The man who actually circumnavigated the globe was a Malay, Henry the Black, who was captured by the Portuguese, brought to Portugal and was taken by Magellan as a guide and crew. He deserted on reaching home.

With these discoveries world trade became global where before trade was principally between European countries of Europe, after that trade expanded to become global with the involvement of all the regions of the globe. In other words trade had become globalised in the 15<sup>th</sup> century. Trade enriches the traders. The globalisation of trade after the sea routes between east and west were opened should enrich European countries as well as the eastern countries. The Arabs, Indians and the Chinese, together with the Southeast Asian countries had developed economically because of the trade among them. Unfortunately, western European trading practices differed from those of Asians. While the Indians, Chinese and Arabs came in unarmed sailing ships, the Europeans came in armed merchantmen. Each European country wanted to secure its sources of supply from other Europeans and from the Asian traders. They wanted not free trade, but monopoly of trade.

They insisted on building fortresses along the route and each demanded that their trading partners enter into monopoly agreements with them. To enforce this monopoly they demanded the right to build fortified trading stations in the countries they traded with. To cut a long story short the western Europeans ended up by conquering and colonising the countries they traded with. Thus, India, the Malay Archipelago which we now know as Indonesia, Malaysia, Burma, the Philippines and Indochina became colonies of the Portuguese, the Spanish, the Dutch, French and British. The only countries of East Asia that remained independent despite trading with the Europeans were Thailand and Japan. China had to surrender important ports and parts of the hinterlands to the Europeans under what to this day are known as the unequal treaties.

This was the experience of eastern countries following the first globalisation of trade for almost four centuries. We became parts of the global empires of the western powers. Our lands were actually traded as if we were trade goods. Thus, the British exchanged Batavia (Jakarta) in Java for Malacca in Malaya. After Malacca was conquered by the Portuguese in 1511, the Malay states in the peninsular never experienced true independence. After the Portuguese came, the Dutch and then the British as a British colony we were also conquered and occupied by the Japanese. They conquered us because the British, Dutch and the Americans denied them access to the rubber and oil in our countries.

With this experience and historical background following globalisation of trade beginning in the 15<sup>th</sup> century, you must understand why we are suspicious of the new globalisation proposed by basically the same people who had colonised us before. It is their intention to trade with us this time, to enrich us as well as them, to create a better world or is it again a veiled attempt to re-colonise us. Admittedly the world has become very small and transportation and travel is much easier and faster. No one, no country can isolate itself. Every country needs the products of other countries. There is no way a country can produce everything that it needs and be totally independent of the products of other countries.

In this smaller world the easier the exchange of goods and services the better. The more the trade the greater the wealth generated and distributed to the countries involved and their people. Malaysia is a trading nation. We have been trading for more than a millennium. We started 1800 years ago by collecting jungle produce to exchange for lacquer ware, silk etc. We mined tin for export to China. Our present trade is twice the size of our GDP. Our export in 2003 was worth 100 billion US dollars. Total trade was worth almost 200 billion US dollars, making us the 17<sup>th</sup> biggest trading nation in the world. We really should welcome globalisation and we do but we disagree with the current interpretation of what constitutes globalisation. We fear it would benefit the rich countries only.

First, this talk is about a borderless world. If it is going to be truly borderless than not only should capital, goods and services move freely between countries. But people too should be free to enter and leave any country. But we are told that people should respect borders and not cross them without proper documents. There are a billion poor people in this world who would like to go to the rich countries to work, even if they are paid lower wages. It would help solve some of the problems of poverty. These workers from poor countries can help lower the cost of production and the cost of living for the country and the world. But the Mexicans will tell you that despite Mexico being in the North American free trade area, Mexicans are not allowed to cross the Rio Grande into America. And, it is the same elsewhere. So, borderless ness as a part of globalisation is not really borderless ness. It is available only to those with capital; services and goods to offer and the people with the capital, goods and services are the rich, the powerful countries of the west. Obviously globalisation is going to benefit them much more than the poor countries.

Already the great banks of the rich are gobbling up all the little banks in the weaker countries, in the developing countries. It is the same with industries. In the automotive industry there would be only five corporations. All the others have already been swallowed up by the giants. Malaysia produces about 300,000 cars on its own. We may be swallowed up too. It is said that giant corporations are efficient. But Enron failed, world.com failed, Arthur Anderson cheated and now general motors and ford of America have also failed. The hedge funds, such as the long term credit management, failed and had to be rescued by the cronies who had invested in it. In fact the bigger they are the harder they fall and they drag down the smaller companies with them.

Malaysia grew at nearly 9% annually, every year for 10 consecutive years before there was globalisation as spelt out by the WTO. We allowed foreign direct investments but under conditions which protected our industries and national interests. And the foreign investors came in with their billions of dollars in capital and they profited much from their investments and we too benefited from their investments through the jobs they created. We had of course to give tax-free status to these investors.

Maybe other countries did not benefit from the pre-WTO globalisation conditions. But, they are not benefiting now either we have not seen any country growing, developing and prospering as a result of the WTO brand of globalisation. What we do see is competition among poor countries to lower wages and give up taxes so the foreign investors can make more for themselves. There is an urgent need to rethink globalisation. The form of globalisation that is being imposed on the world today was not well thought out. The formulation was by the rich and powerful nations naturally the formula they devised was meant to give them the best advantage and the biggest profit. What would happen to the poor and weak nations was an afterthought. Certainly the well-being of the poor countries was not first in their minds when they struck on the idea of globalisation.

They talk about the trickle down effect when they invest and make money for themselves, the poor would be able to lap up the droppings. But if it is going to be a trickle it cannot be substantial. The rich would get the cream while the poor will get what spills over and trickles down. The poor will not be rich because of this side effect which is not designed for. If the poor is going to get their fair share than the whole strategy must be directed at benefiting the poor. In fact it should benefit the poor more than the rich. The rich are already rich and not getting any more wealth is not going to hurt them. The poor of the world today are actually starving and dying. Occasional charity will not help. They need continuous income.

How do we benefit the poor? In Malaysia when we first invited foreign investors we had to forego taxes, prepare the industrial sites, supply water and electricity often at concessional rates and let our workers be paid low wages – at times one-tenth or less than the workers in the developed countries. We had no choice; the rich investors from the rich countries would not come otherwise. They made huge profits on which they paid no tax to us and when the tax free period is over they declare that they are not making any profit at all and therefore they continue not to pay any tax. They openly carried out transfer pricing, selling their products at cost to their companies in countries like Hong Kong where the tax rates are low. When we complain that this is unfair they simply threaten to go to other countries where they are allowed to do transfer pricing. Fearing loss of jobs for our people we had to disregard the additional profit they make from transfer pricing.

Actually the foreign direct investors should be content with the lower wages they pay in the developing countries. There should be no tax-free period on their profits and they should not do any transfer pricing. This we can demand if we the poor countries offer the same terms and we don't compete with each other on tax holidays and transfer pricing. If we, the poor, are united as the rich are united we can open our markets only to those countries which invest in developing countries under the terms I suggest. The products of countries which do not invest in developing countries should be boycotted. Our individual markets may not be big, but the combined markets of the poor are quite considerable. There would be some among the rich who would want to access our combined market.

These are a few suggestions as to what globalisation should really be. There can be more if the developing countries can sit down to discuss globalisation among ourselves without the presence of the rich. We know many developing countries are not really independent. Many have borrowed from the rich and are unable to pay and many depend on aid and financial support. The rich use these to pressure poor insolvent countries into accepting the interpretations of globalisations made by them. Some countries have been forced through secret agreements on defence etc to keep all their surplus funds in certain rich countries. These funds are being used to finance the huge deficits sustained by the rich countries. While they insist on transparency and adherence to certain standards in accounting by business companies of the poor, these rich countries hide the fact that they are bankrupt. Thus they appear to be doing well even though they cannot possibly be doing well considering the huge debts they incur. Actually, if their national accounts are according to the standards they impose on others, they would be declared bankrupt now.

As a part of globalisation the accounts of all countries should follow an accepted format and should be subjected to international scrutiny. We know that many of the huge corporations of the rich cheat. It will not be a surprise if international auditors find that these rich countries are also cheating. Up till now globalisation has been interpreted and formulated by the rich. The developing countries are not allowed to draw up their own agenda. As a result they are being forced to consider the demands made on them on issues of benefit only to the rich. No agenda items could be submitted by the poor for consideration in the WTO.

In trade and international relations history is repeating itself. Colonialisation, albeit indirect but colonisation no less is taking place. Empires are being built, world hegemony is once again being achieved and all these are being done in the name of globalisation. There really is no difference between the imperialism of old and globalisation. The end result would be oppression of the poor and the weak by the rich and powerful. The end result would be exploitation of the resources of the poor to further enrich the rich. The present globalisation process would increase the inequity and disparity between rich and poor. That is what globalisation means presently

I thank you.