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**Venue :**  
**Date : 24 SEPTEMBER 1999**  
**Title : 23RD ANNUAL MEETING OF FOREIGN MINISTERS OF GROUP OF  
77 TRUSTESHIP COUNCIL CHAMBER**

1. I thank the Chairman Foreign Minister of Guyana, Mr Clement Rohee for giving me the floor.

2. I congratulate you for making modification to the format of our meeting into an interactive dialogue. I do hope that the thoughts we trigger in each other through this process will enable you to crystalise and synthesise ideas. Let me also thank you for the discussion paper which has set the parameters for our deliberations today.

3. I congratulate the Republic of Nigeria for being elected as the Chair of G-77 for next year. Since this is the first time I speak in G-77 as Foreign Minister of Malaysia let me take this opportunity to express our appreciation and gratitude to Cuba for agreeing to host the first ever South Summit in Havana next year. As we enter the new millennium the time is opportune for us to put our thoughts together on key elements that would enable us to articulate a vision of the South for the years ahead.

4. I fully endorse the four themes for the South Summit (Globalization; North-South relations; South-South cooperation; Knowledge and technology). I see that the focus of these themes could be along the following lines:

- Globalization: Since it is here to stay, our focus should be how do we define it so that we minimise the risk of the fallout from negative impact of globalization particularly a financial crisis that could put the development clock back for us and the whole world;
- North-South relations: How do we build a compact with the North in a manner that mirrors the interdependence of relationship; it is important that we make ourselves heard effectively in the critical areas that affect us all together;
- South-South Cooperation: How should we in the South organise ourselves in order that we maximise the energies within us and amongst us to be directed and focussed in the most intelligent way; may be there is a need for us to look at areas of enhancing our trade linkages, establishing linkages among our center of excellence, and linkages among think-tanks among organizations.
- Knowledge and technology: Given that the way towards the future is the harnessing of knowledge and technology, what actions must countries of the South take now in order that the gap between the North and the South does not widen further or become more deep rooted and complex. The focus in this area should therefore be on building of capacity in the Information Technology area.

5. There seems to be a clear logic and linkages among the themes which could be expressed this way :

In an era of globalization where knowledge and technology have redefined the way government conducts itself countries of the South have to look into themselves to see what the South can do together in order that they can deal with their North partners in a more effective and efficient way.

6. Having said that I wish to make some points drawing upon Malaysia's experience with globalization particularly in the context of the Asian financial crisis. I believe that the lessons from Malaysia should be factored in as the South Summit tries to articulate a vision for the future of the South in the next millennium.

7. We know that the Asian financial crisis that first started as a currency crisis in one country of our region spread like wild fire, first through the Asian region and then the whole world reverberated with its effect.

8. Through the contagion effect, Malaysia was not spared of the devastating impact of the financial crisis. It is now almost 28 months since July 1999 when crisis struck. Malaysia has gone through difficult times and has taken difficult decisions in order to recover from the financial crisis. I am happy to say that we have bounced back from the financial crisis. Although the Government predicted a conservative 1% growth for the year 1999 some analyst are predicting that the economy will rebound nicely and should record 4-6% growth this year.

9. The present financial crisis, unlike other crisis that we have faced before, is more difficult to deal with because it is linked to factors external to Malaysia, Malaysia found itself suddenly impoverished, virtually overnight as a result of speculative attacks on its currency by currency traders. The Malaysian currency the ringgit was devalued by 80 percent at times and the stock market index went down from 1200 to 260, wiping out almost US\$300 billion in market capitalization. The irony is that not only were we suddenly impoverished but we were also blamed for being impoverished.

10. Malaysia believes that the currency traders who manipulated currency markets were the immediate cause of the Asian financial crisis. When we appealed to the IMF to curb the activities of the manipulators we were told that currency trading was so huge that nothing could be done to regulate it. When Malaysia instituted selected exchange control measures on 1 September, 1998, aimed at overcoming the crisis, we were immediately criticised and was accused of being retrogressive. The gurus predicted gloom if not doom ahead of us. This fortunately has not been the case. Without sounding boastful, we are confident of our capability in overcoming whatever problems through our own way of style in a manner that suits our situation or it consistent with the problems confronting us. Perhaps the world needs to be reminded of the idea of "equifinality" : that there are many paths that could lead us to the final state.

11. Our experience has demonstrated that the moment we dealt with short term capital flows, particularly the trade in currencies, we were able to immediately exercise control of the economy. In fixing our exchange rate, and making our currency, the ringgit non tradeable outside the country and therefore practically worthless to the currency manipulators, stability was achieved - almost instantaneously.

12. The selective exchange control measures have served its purpose for Malaysia and perhaps there is some learning for us all. Malaysian measures are locally adapted structures which took into account the dynamism of the marketplace. They are not classic text book controls but "selective" and designed to address a specific problem - to tackle the destabilising short term capital flows and currency manipulators. The controls have started to show results and more importantly it is an alternative which works.

13. Malaysia has taken a path different from other countries affected by the financial crisis. Our perception of the cause of the financial crisis was rather different from what others want to make us believe, such as poor fundamentals, corruptions, croynism, mega projects etc. The world seemed rather quick to associate these words with developing countries, particularly the Asian "tiger" economies.

14. What has Malaysia learned from the Asian financial crisis? Among other things, we learn that hard earned political independence and sovereignty are meaningful only if we have financial independence. We also learn that in a world so closely and intricately interwoven, financial independence is hard to maintain and sustain unless the international community work in a spirit of true partnership, a smart partnership, I would call it. In a smart partnerhsip, no one gains at the expense of another.

15. Our financial independence would be undermined if government did not pursue a policy of economic growth and proper distribution. Malaysia learned about the danger of being gripped by external powers, including by international financial institutions, Malaysia has also learned that with globalization, problems have assumed international dimensions such that in the long term it is beyond the capacity of any single nation to solve on its own.

16. I am happy to share with you that in a report by Mr Clyde Prestowitz President of the Economic Strategy Institute based in Washington DC, he stated that "despite the initial criticism of its policies, Malaysia has seen the IMF and the World Bank subsequently adopt much of its thinking in particular regarding the use of capital controls in certain circumstances"

17. In articulating a vision for the South, given the experience of Malaysia in dealing with the financial crisis, the South Summit must see to it that in addressing the inadequacies of the current international financial architecture the world must be guided by values and decisions that embody fair play and common good. The so-called "free" market forces should not have freedom without due regard for the

welfare of others. The South has to affirm that the international community, the UN, the Bretton Woods institutions and "private clubs" such as the G-7 must ensure that the financial system should quickly evolve checks and balance in order to discourage people from abusing the system.

I thank you.