EAST ASIA UNDER ECONOMIC GLOBALISATION: A MALAYSIAN PERSPECTIVE

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I. Globalisation is overwhelmingly "Americanisation"

- Advanced Western economies (notably the United States) are the driving force of globalisation.
- Superpower syndrome since the end of the Cold War: the U.S. is keen to further spread its influence.
- U.S. was against regional economic cooperation for East Asia when its own economy was weak; now when the U.S. economy is strong, and getting stronger pushing for globalisation
- "Washington consensus" and the "Americanisation" of globalisation: transforming the world economic system based on the U.S. vision of an unfettered global market system
- Role of the state seen as "retreating" if not "dead": business corporations seen as more efficient than governments in promoting global economic growth and prosperity.
- U.S. sees globalisation and liberalisation as ideological mission for global economic system in the same way as it regards promotion of democracy and transformation of non-democratic political systems into democratic regimes
- To quote Jeffrey Sachs:

  > At a deeper level, the problem is one of approach. America has wanted global leadership on the cheap. It was desperate for the developing world and the post-communist economies to buy into its vision, in which globalisation, private capital flows, and Washington advice would overcome the obstacles to shared prosperity, so that pressures in the rich countries to do more for the poorer countries could be contained by the dream of universal economic growth. In this way, the United States would not have to shell out real money to help the peaceful reconstruction of Russia; or to ameliorate the desperate impoverishment and illness in Africa. In essence, America has tried to sell its social ethos; the rich need not help the poor, since the poor can enjoy rising living standards and someday become rich themselves. . . . Washington became skittish at anything or anybody that challenged this vision.
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  > "Global Capitalism: Making It Work" *The Economist*, 12 Sept. 1998

- Given its far superior/unmatchable technological prowess and dominant role in the international media, the U.S. continues to advance on globalisation in East Asia (as elsewhere).

II. U.S. Focus on Opening Up Asian Financial Sectors

- U.S. financial institutions dominant role in global finance, eager for more profits in East Asia
- Asian financial/economic crisis gave U.S./Western investment banks and MNCs opportunity to take a stake in local financial institutions and corporations at low cost as regional currencies depreciated
- Even before mega-mergers, Western banks already were highly competitive, with huge amounts of capital compared to the smaller regional banks (except in Japan) and they were even more so after mergers
- Less than the necessity for promoting capital mobility the Asian financial crisis underscores the necessity for restraining capital flows until the regional domestic financial system and capital markets are better developed
- Need to regulate hedge funds: classic case of Long-term Capital Management (LTCM), which was leveraged 25 times its capital, reveals the striking feature of financial globalisation—the extraordinarily huge amounts of capital that can be raised by some

non-bank institutions for speculative purposes.

III. Weak Economies Left Behind

- According to a U.N. Conference on Trade and Development (UNCTAD) report, the least developed countries (LDCs) are increasingly marginalised by globalisation while they continue to encounter restrictions in the markets of developed countries
- A positive feature of globalisation must be seek "the greatest good for the greatest number"

IV. Lack of Social (Human/Moral) Imperative in Globalisation

- While globalisation does generate w3ealth and economic growth, it does so unevenly
- Gap between rich and poor widening, especially in times when there is growth concern for "human security"
- Contradicts campaign to promote human rights globally
- "Self-worth" of individuals being ignored
- Outgoing chief of the IMF, Michel Camdessus described poverty as "the ultimate threat to stability in the globalised world" (UNCTAD Conference, 13 Feb. 2000).
- Must go beyond the "Washington Consensus" of market fundamentalism, including the absolute freedom of capital mobility.
- Malaysia's foreign policy motto: "Prosper thy neighbour, not beggar they neighbour"
- Malaysia's Vision 2020 calls for creating a "caring society" by that year
- ASEAN Vision 2020 also aims to create a "community of caring societies" by the same year

V. Malaysia's Approach to Resolving the Economic Crisis: "Localisation"

- Malaysia resorted to a home-grown remedy; it did not turn to multi-lateral global financial organisation, the IMF, for rescue
- "Virtual" IMF policies did not work for Malaysia
- Malaysia's realities—its political, economic and social conditions and its delicate, ongoing nation-building agenda—are quite different than elsewhere and therefore require a pragmatic approach designed to suit local conditions
- Malaysia adopted selective capital controls: the ringgit pegged to the U.S. dollar at an exchange rate of RM 3.80; all offshore ringgit banned; residents not allowed to take out more than RM10,000; 12-month holding period imposed on capital account transactions (.e.g., portfolio investments)
- Selective capital controls were aimed at short-term speculative capital flows (hot money) not long-term FDI
- Malaysia was roundly criticised, condemned, and branded a "heretic" for going against conventional free market principles (the globally accepted policies of the IMF)
- Malaysia's "doing-it-my-way" formula was vindicated: achieved recovery without political turmoil, massive retrenchment and unemployment, or major social dislocation (increase in incidence of poverty) compared to other crisis-hit economies such as Thailand, South Korea and, of course, Indonesia.

VI. What is to be Done to Cope with the Onslaught of Globalisation?: A Three-Pronged Strategy

We cannot turn back the clock on globalisation, but developing economies can strive to maximise its benefits and minimise its negatives

1. Continue national efforts at restructuring (instituting good corporate governance, transparency, and the like)
2. Push for reforms in the international financial architecture as a long term goal

   Developing countries in East Asia (and other parts of the world) are beginning to act with a more united voice (e.g., the WTO meeting in Seattle); the G-77 meeting in Havana served notice to the advanced economies (G-7) that they will not support decisions made without their representation.

Out-going IMF chief Camdessus called for expanding the G-7 to include at least 30 nations to create a new global financial structure (UNCTAD, 13 Feb. 2000).

Regional economies are frequently called complacent for being lax in reforms, but the global community (especially the leading economies) is also 'complacent' for not undertaking effective, concerted efforts to improve the international financial and economic system

3. Enhancing regional cooperation in East Asia is crucial in the interim

   The ASEAN 10+3 East Asian Cooperation process needs to be institutionalised further. Asian economies must be allowed to set up their own mechanism (a common fund) to protect themselves from unpredictable changes in the global economy