

Malaysia promotes South-South ties

by Lydia Cherry

Malaysian Prime Minister Mahathir Mohammed toured three Ibero-American countries in late June and early July to promote South-South trade and collaboration. He was accompanied by 70 business leaders and industrialists, there to discuss concrete collaboration, as the Malaysians offered their country as a "bridge" to the Asian Pacific.

This ambitious initiative, coming at a time when the Anglo-American establishment is trying to force the developing sector into a new world order of genocidal looting under the banner of "free trade," has explosive political potential—but it also has a flaw that could prove fatal.

At an official dinner hosted by the Brazilian government on June 27, Dr. Mahathir emphasized that developing countries have consistently lost out because of lack of unity and cooperation among them. "We cannot let history repeat itself," he said, noting that he was still convinced that—at least theoretically—a healthy North-South trading environment would be the best situation for world trade to grow. But since this doesn't exist, "in the meantime, greater cooperation among developing countries must be explored and exploited. I believe we have only just begun tapping the surface potential in South-South cooperation."

Malaysia's *Business Times* editorialized on June 26, while the prime minister was in Chile: "The initiative that Datuk Seri Dr. Mahathir is taking in promoting greater South-South trade has undoubtedly come to the notice of the industrialized countries, particularly in the United States. If allowed unchecked, his efforts can very well mean crimping the North's markets which have been captive to them so far.

... "He is now driving home his message to a receptive audience right in Washington's backyard. The bloc that the U.S. is shaping up together with Canada and Mexico is designed to ultimately encompass South America as well, but some of these states are unhappy with this 'Enterprise of the Americas' The South Americans, in responding to Dr. Mahathir's initiative, will no doubt come under a lot of opposing pressure from Washington."

Following Chile, Mahathir visited Brazil and Argentina. Trade deals were made; extensive discussion took place on the possibility of setting up new air routes, and Malaysian Airlines has now been requested to work out the detailed

routes in collaboration with the airlines of Chile, Brazil, and Argentina. There was agreement between the Malaysians and the Ibero-Americans that the developing sector as a whole was getting restive over the increasingly shabby deals they are getting in their trade with the industrialized nations, and are looking for new markets elsewhere. Why couldn't increasing South-South ties help to remedy the situation?

Malaysia's extensive press coverage, commentary, and analysis of the trip, however, brought to light certain misconceptions about South American countries and their relationship to the international monetary system. Simply put, for Dr. Mahathir's good and necessary idea of South-South cooperation to work, it would have to bypass the entire International Monetary Fund structure. And in reams of Malaysian press commentary that appropriately lambasts the North, what is never mentioned once is the debt issue and the process of usury by the IMF and World Bank that has driven Ibero-American countries into increasing poverty and political crisis.

Malaysia's fight to eradicate poverty

Malaysia is one of the most economically successful countries of Asia, with growth rates close to 10%. In a 20-year period, the national incidence of poverty declined from 52.4% in 1970 to 17.1% in 1990. The country is committed to eliminating that condition altogether, as Dr. Mahathir made clear in a parliamentary address on June 8: "The notion that the poor are fated to be poor is due to ignorance. . . . It is the duty of responsible government to eradicate poverty."

The engine for growth in Malaysia was largely the public sector. Public sector investment as a proportion of total investment increased steadily from 32% in 1970 to a peak of 50% by 1982. With economic growth came the rapid expansion of the industrial sector. In recent years there have been more attempts to stimulate private sector expenditure and investment, and to make the private sector take a greater role in propelling the economy forward.

The problem of usury and the country's foreign debt is not *the* determinant feature in Malaysia, as it is in most Ibero-American countries. But a graph of cumulative interest paid by Malaysia during the 1980s gives strong indication that the country may before long run up against the same problem that has flattened Malaysia's South American friends. Thus, by 1989 a cumulative \$12.3 billion had been paid in interest; this is almost twice the amount of the original \$6.6 billion borrowed in 1980.

No to the 'Enterprise of the Americas'

During Mahathir's tour there was discussion of how subsidized U.S. wheat to Brazil, Argentina's biggest market for the grain, was just one instance of how lopsided the U.S.-dominated Enterprise of the Americas trade zone was turning out to be. Both in Brazil and in Chile, the issue of the logging of tropical forests came up, with Malaysia expressing con-

cern about the fact that certain Northern countries are making preparations for a U.N. resolution that enforces limitations and conditions on logging. This fight is expected to come to a head when the United Nations Conference on the Environment and Development meets in Brazil next year. On this subject, Brazil and Malaysia are battling the same enemy, as the international environmentalist movement makes plans to descend on Malaysia in August and Brazil next year under the slogan of "Save the Rain Forests!"

The Malaysian delegation agreed to seek the inclusion of Chile in the Non-Aligned Movement, when NAM foreign ministers meet in Ghana later this year. Chile was pulled out of the movement by Gen. Augusto Pinochet in 1973. Some observers were surprised that it was Chile with which Malaysia worked out an agreement for each country to be the avenue for the other's access to the rest of the region, in that Chile is right now the "darling" of the International Monetary Fund. The Malaysian press notes how "well-managed" the Chilean economy is, which is certainly true in terms of paying the debt to the international banks. The only country in Ibero-America that has paid more debt per capita than Chile is Venezuela.

Dr. Mahathir has fought an impressive battle since last December to keep the U.S. free-traders out of his envisioned East Asian Economic Group (EAEG), a group that would include the six ASEAN countries—Malaysia, Thailand, the Philippines, Singapore, Brunei, and Indonesia—as well as Japan, China, South Korea, Taiwan, Hong Kong, Vietnam, Cambodia, and Laos. He explained in a speech in March why the United States had to be kept out by noting that the U.S. economy was collapsing, and made clear that Washington was not beyond using military force to back up its economic intentions. His proposed grouping would play a certain role as a bulwark against this tendency, as well as to move the overall world economy upward, he said.

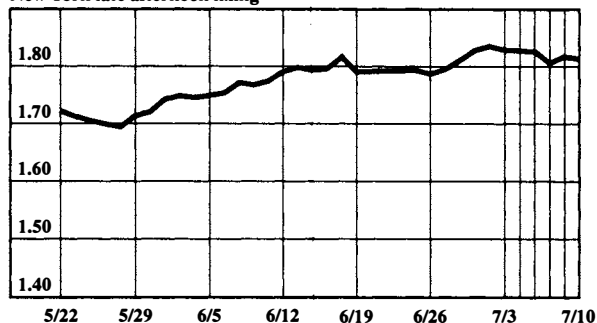
In Ibero-America, however, the Malaysians seem to have wrongly perceived that the recently formed trading group Mercusor, which links Brazil, Argentina, Uruguay, and Paraguay, was somehow independent of U.S. control, and could act as a link to both the EAEG and to ASEAN. However, when Brazilian President Fernando Collor de Mello met with President George Bush in Washington last month, he and representatives from Argentina, Uruguay, and Paraguay signed an agreement for the incorporation of Mercusor into Bush's hemispheric trade initiative. The model for what was signed in this free trade agreement is the North American Free Trade Agreement (NAFTA) with Mexico, which means absolute U.S. control and further looting of the Ibero-American countries. This means total integration between the policy of the Mercusor group and that of the Anglo-Americans.

Clearly, these U.S.-dominated regional associations are not the structure through which Dr. Mahathir's positive idea of a South-South economic link for industrial development and progress can be realized.

Currency Rates

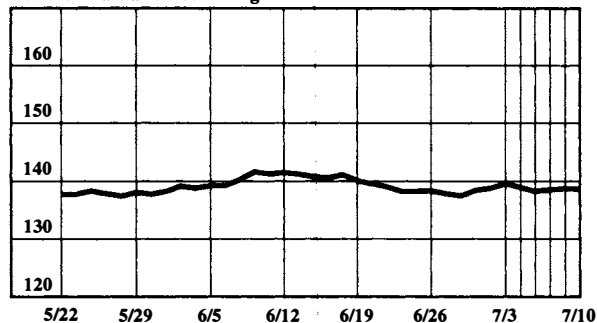
The dollar in deutschemarks

New York late afternoon fixing



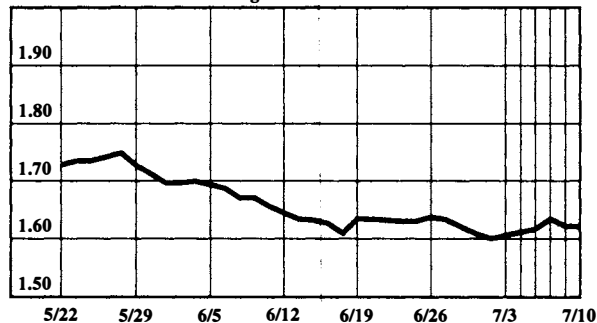
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

