

# Malaysia's Dr. Mahathir Calls for Trade Without National Currencies

by Michael Billington

At the June 8 "Future of Asia Conference" in Tokyo, sponsored by the *Nihon Keizai Shimbun*, Malaysian Prime Minister Dr. Mahathir bin Mohamad made the following proposal: "An international currency should be created which belongs to no one country. Rates of exchange should be based on this one currency which can be used for payment of all international trade. Earnings in this currency must be immediately deposited with a nation's central bank, and local currency issued for local transactions. The reserves must be held in this international currency only and not a basket of currencies."

This is the first call by any national leader in the direction of the proposal issued on July 18, 2000, by *EIR* Founder Lyndon LaRouche, in an essay entitled "On a Basket of Hard Commodities: Trade Without Currency." In that essay, LaRouche cited the "bold steps" by Dr. Mahathir in implementing capital and exchange controls in Malaysia, in 1998, and by other East and Southeast Asian leaders in moving toward the creation of an Asian Monetary System, both to defend against currency speculation and to launch real development in the region. However, he warned, the otherwise laudatory effort to replace the bankrupt International Monetary Fund (IMF) system, based on the U.S. gold-reserve dollar, with a new, fixed-exchange-rate system, had thus far only put forward the option of using regional currencies, or a "basket of currencies," to replace the dollar. LaRouche wrote:

*"As long as the IMF system, and its related attributes exist in their present form, the attempt to use a 'basket of currencies' as a substitute for the kind of role performed by the 1945-1963 U.S. dollar, is not a remedy, but a trap. Yet, the world can not wait until a general monetary reform occurs, to take certain urgent practical measures of defense against the worst effects of the presently onrushing global financial and monetary catastrophe. Therefore, at this stage, it has become essential to institute preliminary measures which operate entirely outside the supervision, or other control by the presently doomed, 'globalized' monetary system.*

"Hence today, we need to see monetary reform presently as a two-step process. The first stage, is the emergence of regional blocs which operate either outside, or in parallel to the existing IMF system. The second stage, will be the crucial

role of such regional blocs in constituting a replacement for the now already hopelessly bankrupt IMF system. In the interim, measures taken by regional blocs must scrupulously avoid the ruinous effects which must result, were such measures to become entangled systemically in the already doomed IMF system. A prudent man does not remain within a cabin of an already sinking *H.M.S. Titanic*. *The transition must be based upon economic values which exist independently of the present IMF system, and which can assuredly outlive that latter system*" (emphasis in original).

LaRouche then describes his proposal for a basket of *hard commodities* as the basis for assigning value to a "synthetic unit of account" which could serve as an "accounting-system of an international credit facility."

Dr. Mahathir's new proposal for a "universal currency," which he insists must not replace any national currency, but serve only as a unit of account for international trade, falls short in regard to the crucial issue of how to establish the value of such a universal currency, such as LaRouche's "basket of commodities," which subjects monetary policy to the service of the requirements for development of the physical economy. Dr. Mahathir does insist, however, that "currencies must never be traded as commodities."

Also, Dr. Mahathir, in this proposal, does not acknowledge the bankruptcy of the IMF system, but only addresses its inequities, while calling for a global levy on the richer nations to fund infrastructure development in the poorer nations. Such a program would be viable in a growing world economy, and would be, as Dr. Mahathir says, a "win-win formula." However, the reality of the current global financial collapse will quickly render such a system moot without the creation of a new world monetary system.

## Toward a New Financial Architecture

Nonetheless, Dr. Mahathir's proposal comes in the context of another proposal which he made at the meeting of the Group of 15 developing nations in May in Jakarta, Indonesia, in which he called for a meeting over the coming months of a team of experts from the G-15 members, to address the urgent necessity for the creation of a new world financial architecture. Recognizing that the advanced nations of the

Group of Seven have clearly abdicated their responsibility to restructure the moribund IMF, the G-15 adopted Dr. Mahathir's proposal to bring the developing nations into the deliberative process for dealing with the global breakdown crisis.

These new ideas are directly related to the implementation in May of the "Chiang Mai Initiative" among the nations of the ten members of the Association of Southeast Asian Nations together with China, Japan, and South Korea (ASEAN-Plus-3), establishing more than \$30 billion in bilateral swap agreements among the ASEAN-Plus-3 nations. These agreements establish both the political and financial foundation for the potential adoption of a new monetary system for Asia, the Asian Monetary Fund (AMF), independent of the IMF system. This was very much on the minds of many of the leading participants at the ceremonies implementing the Chiang Mai Initiative in Hawaii last month. The expanding role of LaRouche's ideas, such as those imbedded in the "trade without currencies" concept, further enhance the potential for the success of these bold initiatives.

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## Documentation:

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*The following are excerpts from the speech by Dr. Mahathir bin Mohamad, at the Future of Asia Conference in Tokyo on June 8:*

### **Beyond Globalism and Globalization**

1. Perhaps it is too much to expect to foresee what will be the situation in the world beyond globalization, considering that we are only just into globalization, and we are not only unable to fully comprehend it but quite obviously we are making a mess of it.

2. Only a few years back, we were all opening our arms to welcome globalization. We had become a global village. Modern technology had enabled instant communication, instant sound and sights across the vastness of continents. We could actually commute almost halfway across the world to breakfast, and to meet, and still be back home for dinner with our families. . . .

11. We are more concerned now about preserving the trees and the forests, and the animals. But we go too far sometimes. We deny the poor in the world living space for themselves because we want their countries to become Carbon Sinks. Yet the protected animals are allowed to destroy the forests, and even kill and eat humans. The man being eaten by the tiger must appreciate that he is helping to preserve an endangered species.

12. We are more civilized now, but the lunatic fringe keeps pushing us to go too far. We are going too far with our globalization also. We want globalization to be totally unregulated, to be left to the markets to govern it. But the market is about making profits, maximizing profits. In the

process, it is likely to leave a trail of disasters and tragedies. But never mind, the important thing is that globalization must be accompanied by market deregulation. As long as the global marketplace is deregulated, what happens to people does not matter. The system has become more important than the people it is supposed to serve. . . .

16. . . . At first democracy was only about majority rule. Then minority rights was added, then individual rights. These rights were constantly being broadened, so that in the end they became more important than majority rights. The government may be elected by the majority, but minorities may bring it down by street violence, helped by the media and even foreign interests. The rule of law is advocated, but this simply means that those opposed to the government may break the law but the government may not enforce the law against them.

17. Then along came the non-governmental organization to claim the right to frustrate popularly elected governments. They may be made up of only one person, but they get wide publicity and support; they may use illegal means. They can become extremely powerful, and frequently governments of the majority have to bow to them.

18. Democracy is now no longer about the rule of the majority. Indeed, in many cases, the elections to gain majority support is an exercise in futility. For promptly the popularly elected government is hamstrung and rendered impotent. The wishes of the majority, the largely silent majority, is ignored, while the governments struggle to placate the activist minority.

19. Now the minority has become more violent, and lawfully elected governments have been toppled by the illegal activities of the few, the street mobs. In the meantime, the country becomes unstable, unable to develop, and for many developing countries, their freedom is lost. The people suffer, as law and order breaks down, ethnic and religious clashes escalate, and thousands are killed. Mob rule has become more democratic than majority rule.

20. Democracy has been abused until everything can be done in the name of democracy. The promised better life has not materialized. Instead, people are suffering more than ever, more even than when they had authoritarian rule, because of democracy. The time will surely come when democracy will go the way of Socialism and Communism. It is not because democracy is bad. It is still the best system of governance. But democracy has been so abused that it is no longer able to benefit either the majority or the minority.

21. Today, democracy still reigns supreme. To criticize it, is to be heretical and to expose oneself to vilification. But eventually, the damage will be so evident and so great that democracy will become a bad word, just as proletarian dictatorship is a bad word, and it will be rejected.

22. But this need not happen. Democracy can be saved if it is not regarded as perfect, if its weaknesses and defects are recognized and remedies made and excesses curbed.

23. And now we have globalization, a great idea whose

time has come. But already it has started on the wrong foot. Currency manipulations across borders and the economic and financial catastrophes, such as those in Orange County, [California,] in Brazil, in Mexico, in Russia, and, of course, in East Asia which followed this particular manifestation of globalization, do not augur well for the future of globalization. The victims are told it is free trade, and therefore it must be good.

24. But must we have horrendous disasters as a price for globalization? Cannot there be globalization without the pain, unbearable pain? The answer is, of course, there can be. Globalization need not be accompanied by total deregulation. The two are not the same. Some regulations can make globalization not only less destructive but also beneficial all round.

25. The assumption that markets will regulate themselves is contrary to logic or human nature. The market is about making profits, maximum profits. It is not a social organization intended to cure social ills. It is not even about fairness and justice and good governance.

26. The market, especially the free market, operates by defeating competition. To do this well, the players must be strong and ruthless. And so we see the mergers of the giants, and the mergers of the merged giants. The idea is to be so big, and therefore so strong, that competition would be one-sided. The smaller groups will either lose and be destroyed, resulting in terrible social and economic damage, or they can submit to being taken over. Eventually there can be only one player in one industry. Then competition would cease and the winner will become an arrogant and domineering entity, optimizing profits at the expense of quality, efficiency, and social considerations.

27. The world will be badly served by the monopolistic giants which may gang up in order to be even more powerful. Governments will not be able to control them because governments will depend entirely on them. In fact, they will determine who will govern countries. Their control will now become absolute. Big Brother, big capital will rule the world, and the poor and the weak will just have to submit.

28. Oligopolies and monopolies need not be an essential feature of globalization. There could be statutory limits to mergers and the size of corporations. In any business, a sufficiently large number of players must be ensured. Competition must be governed by a set of rules to ensure not just a level playing field, but that the contestants are fairly evenly matched. There must be banks and businesses which are national, and those which are international. The weak must be protected according to a set of internationally agreed rules.

29. An international currency should be created which belongs to no one country. Rates of exchange should be based on this one currency which can be used for payment of all international trade. Earnings in this currency must be immediately deposited with a nation's central bank, and local currency issued for local transactions. The reserves must be held in this international currency only, and not a basket of cur-

rencies.

30. Currencies must never be traded as commodities. Should there be a need to devalue against the international currency, a panel of central banks and the International Bank should determine the proper exchange rate. No country should dominate international finance and commerce.

31. If we are prepared to be pragmatic and fair, if we are ready to curb the excesses of democracy and globalization and to determine the right levels that will be suitable and acceptable in any particular country, if we are prepared to give up the idea of being dominant because we are the richest and the most powerful, then we can look with hope beyond globalization.

32. Globalization today ignores the very poor. In a globalized world, wealth distribution should be equally global. But it is not.

33. The world of today is extremely rich. A combination of technologies and natural resources have made unlimited wealth creation possible. There is more than enough wealth to wipe out global poverty completely.

34. The financial system of a globalized world is now confined to a free flow of capital. Those who profit from such flows must be prepared to pay a global levy. The levy should be based on the Gross Domestic Product of nations.

35. Voluntary aid to the poor is now anathema to the rich. The levy should be for statutory aid. It should be for the building of needed infrastructures such as roads, canals, railroads, ports, airports, power, water to stimulate growth.

36. The levy should be administered by an international agency, including the construction of the infrastructure by international constructors. Subcontracts and supplies should come from the locals. The benefits would obviously be evenly distributed. The infrastructure built will enable products to be exported and imported at lower cost. World trade will certainly grow and poverty eradicated.

37. Altogether the levy would be a win-win formula. No one will lose. The whole world will be enriched. The poor countries will be less poor, and will truly become a part of the globalized world. Globalization would then be meaningful as it involves the whole globe, the whole world.

38. The rich will not take kindly to this idea of course. But if they expect that the poor should always accept ideas which benefit the rich, then the rich should also be prepared to accept ideas which benefit the poor, especially when the rich will benefit as well.

39. Even as in a country the poor have a right to some of the wealth of the country, a globalized world must accord the poor similar rights. If the poor cannot expect this, then why should they accept globalization?

40. So what is there beyond globalism and globalization? There could be total oppression of the weak by the strong as capitalism run riot. Or there could be a world democracy where the resources of the world are combined with human ingenuity to create the greatest human civilization ever.