by terrorism, because of their nationality. He also gave a bleak picture of the human insecurity situation in Palestine, and in Iraq.

Dr. Mahathir stressed that to prevent conflict, in the form of what is called "terrorism"—but is sometimes actually a struggle for liberation from occupation—the causes must be removed. To prevent war, Dr. Mahathir presented his concept—also to be elaborated in an international conference of his scheduled for June 20-22 on Global Peace—of organizing candidates for political office to sign pledges not to wage war, as a condition for their support. In a round table discussion, as well as in an interview with *EIR,* he cited cases in the United States, where mothers of soldiers killed in Iraq had launched such a movement.

But, no matter how noble the sentiments behind such a concept, reality—especially the brutal reality of the last five years—teaches that pious commitments for the Good may be easily ripped apart by political pressure. How many "peace-loving, anti-war" Senators and Congressmen in Washington capitulated to the lies about Iraq's presumed weapons of mass destruction, and voted for war?

In this light, one idea that might be presented to the organizers of the Kuala Lumpur conference for consideration, is to follow up their important exchange of ideas and deliberations, with a gathering dedicated to effective prevention of conflict, through the establishment of a world order of sovereign nation-states, committed to peace through economic development. Once such an order were realized, the ICRC and similar organizations would not be unemployed; rather, they would be faced with the happy task of repatriating displaced persons, illegals and refugees, reuniting families torn apart by war, and returning them to their nations, restored to peace.

Interview: Dr. Mahathir bin Mohamad

We're Discussing Alternatives To the Bankrupt Dollar System

Tun Dr. Mahathir bin Mohamad is the former Prime Minister of Malaysia. Muriel Mirak-Weissbach interviewed him at a conference of the Perdana Leadership Foundation, Putrajaya, Malaysia on June 14, 2006.

EIR: We in the LaRouche movement are focussed on the very tumultuous developments in financial markets. Mr. LaRouche issued a forecast on April 20, saying that, unless current policies were radically altered, the entire dollar system could come crashing down by September. What is your view?

Dr. Mahathir: Well, whether or not it is that dramatic, it is certainly on the way. It will happen, unless of course measures are taken, if the U.S. were to cut spending and not live on borrowed money. The [U.S.] deficit is terrible, it cannot be paid. The only thing that keeps the U.S. going is that people still accept the U.S. dollar in payment for goods. But that is slowly being changed now. Many countries now would like to use other currencies—the euro or the yen or even gold. But the U.S. is threatening them. Even if a few countries refuse to accept the U.S. dollar, it will depreciate some more.

Considering that the U.S. is technically bankrupt, the money will have no value at all. Then the U.S. will be in a terrible state. And since the U.S. is also a big market for a lot of things produced in this world, the loss of this big market will have a terrible impact on the economies of Asia. Malaysia is a small country, but it is the tenth biggest trading partner of the U.S.A. Our trade is valued at $44 billion with the United States. This is out of a total of almost $200 billion—more than 20%. So if the U.S. loses its capacity to buy, of course, it will affect all of us. It will affect a lot of other countries as well, for example, China.

EIR: In the U.S., many are pushing China to revalue its currency, which would devalue the dollar—

Dr. Mahathir: If you ask the Chinese to revalue the renminbi, you're in fact saying that you want to devalue the U.S. dollar.

EIR: This is the reason why they're doing it. Some in the Greenspan faction, think a weaker dollar would reduce the deficit. But since the system is a dollar system, it would have the effects you mentioned. It looks as though the dollar is doomed.

The other issue is the speculative flight into raw materials—not only oil, but also gold, silver, platinum—you name it. The prices have exploded in an inflationary spiral. This indicates in our view that speculators are thinking that if the monetary system is going under, and the dollar system is going to crash, then they want to have some "real wealth" in their hands.

EIRN/Muriel Mirak-Weissbach

Dr. Mahathir bin Mohamad at a conference in Cairo, March 2005, during an interview with EIR. *The U.S. is no longer the dominant world trader, he said in his current interview. "This is something the U.S. refuses to admit. It's in a state of denial. This is what is causing the problems: The U.S. refuses to face the issue, and the issue is that the U.S. is going to become poor."*

Dr. Mahathir: Tangible wealth.

EIR: Yes. So what should be done at this point? If the system collapses, as you said, this means that countries dependent on U.S. markets are going to be badly hit. Have you been in discussions about this, or thinking about overall monetary reform?

Dr. Mahathir: Not in organized discussion, but, of course, we all talk about the U.S. dollar, which basically has no value at all, except that people still use it. But when the U.S. keeps insisting that other people revalue their currencies, what the U.S. is saying, is, that it will devalue the U.S. currency. The U.S. is dependent, to keep its cost of living low, on imports. China is helping the U.S. to keep prices low. But if you revalue the renmimbi, effectively devaluing the dollar, the U.S. will not be able to buy Chinese products or products from other countries. That will put a very heavy burden on the people of the United States. They will then demand higher pay, in order to be able to continue to buy.

The U.S. could reduce its huge expenditures on defense. They're spending trillions of dollars on defense. These are non-productive things; they give no return. There is nothing you can get out of producing arms. You sell them to your military, you sell to other countries, but weapons give no return. So if you keep on spending money on weapons, obviously the economy will suffer. The value of your currency will be affected and eventually you must become poor. One of the things the U.S. cannot accept is to become poor. But if you devalue your currency, and tell others to devalue theirs, you're telling people, "Please make us poor."

EIR: The U.S. *is* poor, in terms of real economic productive capabilities. Look at what's happening to General Motors and Delphi.

Dr. Mahathir: Most of them are failing and they are not able to cope with the productivity of the rest of the world. What they want now is to have regulated trade—not deregulation, but regulated trade. This is what the FTAs [free trade agreements] are all about. They want to make money outside the U.S.A. The U.S. can offer very little. Unless the U.S. makes its industry competitive, it is going to go down, and down. There is no way you can stop it, unless they stop producing arms and concentrate on reviving industry and adjusting to the new environment in the world. The U.S. is no longer able to dominate the world market. It is no longer the dominant trader. It is actually now very far behind Japan, Korea, China, and even European countries. This is something the U.S. refuses to admit. It's in a state of denial. This is what is causing the problems: The U.S. refuses to face the issue, and the issue is that the U.S. is going to become poor.

EIR: There has been a great deal of discussion, in the midst of the market crashes, of the need for monetary reform. Even the financial press, like *Handelsblatt* in Germany, and others, have talked about the coming crash, something bankers usually don't like to talk about in public. And this financial dynamic is what is fueling a drive for war. There are forces in the U.S. who see war as a means of maintaining their power. I saw in the wires the other day that you too were talking about war, about "World War IV."

Dr. Mahathir: If you take the Cold War as the Third World War—there was some fighting during that period; it was not entirely a peaceful period. The present attacks against Iraq and the planned attack against Iran, and the huge amount of money spent on what constitutes a war on terrorism—. But there is a basis for this terrorism, which the U.S. refuses to acknowledge. And because you refuse to acknowledge the causes, you cannot deal with it. They believe strongly that, by using military force, they can deal with everything. But Iraq is a disaster. I pointed this out. I wrote to President Bush, not to attack Iraq; I wrote to Blair; I wrote to Chirac—because it would worsen the security situation, terrorism. But you can see, they can't get access to [Iraq's] oil, and the oil price still goes up. The amount of money they spend in Iraq is enormous.

And that is going to be the pattern. These days you don't conquer a country, defeat it, sign a peace treaty, and everything is over. You may conquer and defeat the government, but the people will continue to fight, and you will have to keep up a huge military presence, in order to get something out of your sacrifices.

What's the good of going into Iraq? Okay, you remove Saddam Hussein, but the country is still against you. So this is costing the U.S. huge sums of money. And there is the dilemma: If you leave, you will revert to the same kind of regime; if you stay there, the cost is prohibitive.

So if you try to solve your *financial* problems through another war, it may divert attention, but this financial problem is going to get worse.

EIR: What do you see as the solution to the financial crisis? You know we are calling for a New Bretton Woods.

Dr. Mahathir: I think we have to sit down and discuss, we have to think in terms of something which has intrinsic value. Pieces of paper with figures on them actually mean nothing. You call it one dollar today; the next day it is really not one dollar. I've got a note with me, of 500 billion dinars, issued by Yugoslavia. You can print anything you like on these pieces of paper. Nowadays, you don't even have paper currency notes: It is figures on the computer screen. And you talk about selling this and buying that, and transferring money and all that. It's all figures on a computer screen. There's nothing tangible; if anything happens, you can't cling to it.

But if you have, say, full backing by gold, or some other precious metals, and the gold is there, and it is backed by the government, and the trading is valued in gold, then people will feel much more secure. The value is there; it is tangible.

Money is not a commodity. This is where the currency traders are wrong. It is not a commodity. You cannot trade money. You can trade coffee, tea, sugar, whatever. If anything happens, you have the tea or coffee. That's why I keep this bill of 500 billion dinars with me. It's ridiculous.

EIR: Has there been further discussion of the gold dinar? or other arrangements on an Asian level?

Dr. Mahathir: We have time. Many countries, the moment they talk about a gold dinar, come under pressure. They are unwilling officially to make use of the gold dinar. But privately, people are actually valuing their transactions in gold—not governments, and it's not currency, because only governments can issue currency. But they have gold equivalents, and they are trading using this.

EIR: In Asia?

Dr. Mahathir: Largely Asia and the Arabs. But these are private. They're trading on the Internet, also giving the values in gold. It's trade between entities, private companies.

EIR: What about Malaysia? How has the ringgit been affected since the reintroduction of a relatively floating exchange rate?

Dr. Mahathir: You know that, to overcome the financial crisis of 1997-98, we decided to peg our ringgit to the U.S. dollar, at 3.8 ringgit to the dollar. This was done by the government, not the market. The government can change the exchange rate if it wants to. And I thought that, since the U.S. dollar is obviously depreciating, then the ringgit should be pegged at a higher value. But the present government has different ideas: They decided to float the ringgit. Of course, it has strengthened; not as much as it should, because it is much stronger than the market was willing to accept. And also because I think the Central Bank regulates it, because it is kept within a certain range.

When you find that it is not strengthening to the degree it should, two things happen. Number one is that the depreciation of the U.S. dollar results in the depreciation of your currency, and therefore the price of imports goes up, including oil, whereas if you fix the ringgit at a higher value, the price of the oil will not go up so much. That is one of the things that happen when you allow a float. When a currency is not given its real value, you have to pay the price, in terms of the currency to which it was tied, and that is the U.S. currency, which has devalued.

Secondly, if you fix the exchange rate, you are in a position to manage your economy better. Because people tend to profiteer. When the currency strengthens, they do not give the benefit of the stronger currency to the price of goods; they still sell at the old price. Which means that you are paying the old price with a stronger currency, and then you lose money. But if it is fixed by the government—say it is strengthened by 10%, it follows that imported goods must be cheaper by 10%. But because this is the market—you don't know when it is going up, when it is going down—the government cannot insist that the prices of goods should be cheaper. So you lose that maneuverability. You lose that power to gain from the movement of your currency.

In Malaysia today, there is a lot of unhappiness, because the price of goods has gone up, but the currency itself has actually strengthened. So you're paying much more than the actual price. . . .