

'Free market' big guns out to topple Malaysia's Dr. Mahathir

by Michael O. and Gail G. Billington

Malaysia's decision on Sept. 1 to overturn the "rules of the game" of globalization, by declaring strict currency controls, repatriation of share-trading in Malaysian stocks, and a fixed exchange rate, has provoked hysteria and rage in many circles, but has also earned considerable praise and support, often from unexpected sources. Throughout the world, national leaders, bankers, and business leaders are beginning to acknowledge the truth, well known to readers of *EIR*: The global financial system is undergoing a massive, uncontrolled collapse. In that light, Malaysian Prime Minister Dr. Mahathir bin Mohamad's courageous war against the speculators, and his demand that world leaders meet to create a new world monetary system, has won the admiration of many national leaders, and even some bankers and businessmen, in Asia and elsewhere.

Former Philippines' President Fidel Ramos, one of the most vociferous supporters of International Monetary Fund (IMF) "free market" orthodoxy, told a business conference in Singapore: "Whether one agrees or disagrees with the specific measures Kuala Lumpur has taken, it is clear that the international community must come together without delay to work out and agree on a global policy to regulate the world economy."

Even more surprising, a meeting of the Asia Pacific Economic Cooperation (APEC) Business Advisory Council, private sector representatives from the 18 APEC nations, including the United States, agreed unanimously at a Sept. 8 meeting in Taiwan that the role of hedge funds and speculators must be placed under international controls, along with general measures for controlling capital and currency flows. Several of these leaders, including Hong Kong's construction magnate, Sir Gordon Wu, explicitly said that Malaysia did what was necessary, and that more countries will follow suit. "The logic for survival is compelling," said Wu. "If this basic need runs afoul of the principles of liberalization, then the choice for such governments is clear."

Soros is a criminal

It is just such reactions which most concern the IMF and the British-American-Canadian financier oligarchy, which control "free" markets. Besides Malaysia, Hong Kong and Taiwan have also taken strong government measures against

speculators, and against mega-speculator George Soros in particular. Taiwan banned all trade with Soros-linked hedge funds. It was Soros who launched the assault on the Asian currencies in 1997, and who was identified by Dr. Mahathir, by name, as an international criminal at the IMF Annual Meeting in Hong Kong on Sept. 20, 1997.

On Sept. 15, 1998, Soros testified before the U.S. House of Representatives Banking Committee on the economic crisis. After admitting that the collapse of the Russian banking system threatens to explode the massively leveraged, multitrillion-dollar derivatives bubble, Soros went after Malaysia's currency controls, terrified that others may imitate them. Soros, who has laid waste dozens of nations, causing the unemployment of 25 million people in Asia alone, had the gall to accuse Mahathir of following "beggar thy neighbor" policies. "The effect on the economy will be disastrous," Soros said. "The measures taken by Malaysia will hurt the other countries which are trying to keep their financial markets open, because it will encourage the flight of capital."

In order to prevent other nations from following Malaysia's lead, the IMF and the speculators want to make a horrible example of Malaysia. They are discouraging any foreign investment in the country, with the help of the rating agencies, which have reduced Malaysia's ratings to sub-junk, while the editor of the Dow Jones Indexes, John Prestbo, announced in a press release on Sept. 21 that, effective Oct. 1, Malaysia will be dropped from reporting in Dow Jones's world and regional indices. Sounding like the Queen of Hearts in Alice in Wonderland, pronouncing the penalty, "Off with their heads!" Prestbo declared, "The Malaysian government's restrictions effectively remove Malaysia from the investment world for investors and investment managers operating outside the country."

Hong Kong speculator Sin-ming Shaw of Shaw Investment Management was given a column in *Newsweek* in which he lambasted Mahathir, as well as Hong Kong and Taiwan officials, as "mindless, intellectually mediocre . . . jingoists," who are "unfit to rule." IMF Asia deputy director Bijan Aghevli warned Malaysia that capital controls will not work, since "when markets move capital out of the country, there are often good reasons for it." Unnamed economists and bankers are quoted in the press threatening that "if the political

situation worsens and Malaysians withdraw money, there could be capital flight regardless of the controls.”

Anwar arrested

These same financial circles are actively promoting just such an internal crisis in Malaysia, centered on the person of Anwar Ibrahim. Until Sept. 2, the day after the central bank, Bank Negara, announced the controls, and Mahathir explained the measures in a live nationwide TV broadcast, Anwar had been the Deputy Prime Minister and Finance Minister, and the chosen heir to succeed Mahathir, but on that date Anwar was sacked from both of his government posts and, on the following day, he was expelled from the ruling United Malays National Organization (UMNO) party. Anwar was not charged with insubordination, although it has been rumored that he disagreed with Mahathir’s nationalist policies, and that he was being cultivated by the world financial community and the foreign press as a friend of the IMF, and the man to oust Mahathir. The charge against Anwar, however, was that he lacked the moral standards required of a leader of a Muslim nation. Reports of homosexual relationships and trysts with prostitutes were made public.

Dr. Mahathir insisted that it was the moral issue, not economic differences, which led to Anwar’s dismissal. The Prime Minister said that he could always persuade Anwar to support his economic policy, but that the moral decay exposed by the investigation was too much.

Nonetheless, Anwar immediately chose to launch a campaign to bring down the government. In a series of speeches and rallies in the three weeks since his dismissal, Anwar has denounced the government’s economic policies, painted himself as the champion of free markets and “*reformasi*” (reform), and accused the government of a conspiracy to destroy him. The rallies culminated in a 35,000-person rally in central Kuala Lumpur on Sept. 20, conveniently timed to coincide with the arrival of Queen Elizabeth II of Britain and her consort, Prince Philip, who attended church nearby the rally site. At the rally, Anwar renewed his call of the previous days for Mahathir to resign. After police dispersed the crowd, a few thousand demonstrators marched to UMNO party headquarters, vandalizing the premises, and then marched to Mahathir’s residence, with some shouting “Death to Mahathir,” according to the Sept. 22 *Wall Street Journal*. Over the next 24 hours, Anwar and 11 of his leading supporters were arrested under the Internal Security Act, on charges of illegal assembly, rioting, vandalism, using criminal force, and causing public disorder. Meanwhile, both Buckingham Palace and the British Foreign Office demanded the right of the British Broadcasting Corp. and ITN-TV to broadcast Malaysia’s internal turmoil to the world, just as BBC had played a key role in instigating such turmoil in Iran in 1979 and in Burma (now Myanmar) in 1988.

The irony in Anwar’s effort to become the “reformer,”

battling against the “last of the old-line Asian authoritarians,” as it is portrayed in the Western press, is that Anwar has chosen to act as the corrupt puppet of the new, would-be colonial powers, while Mahathir has emerged as a truly revolutionary leader, determined to save his people and country, while providing leadership for nations around the world. Mahathir’s leadership was duly recognized during the closing ceremony for the Commonwealth Games in Kuala Lumpur on Sept. 21, when he appeared alone on the podium and received sustained applause, before Queen Elizabeth appeared to officiate. (See especially Dr. Mahathir’s impassioned speech to the Sept. 3 meeting of the Non-Aligned Movement in Durban, South Africa, published in *EIR*, Sept. 18, 1998.)

By comparison, consider the following quotes from Anwar’s various statements, following his ouster:

“We are faced with problems which emerged with the birth of a new era. The economic turmoil is not the source of the suffering now, but it is due to our failure to make adjustments to the new era. We have already entered the new era. The era of globalization, the era of information explosion.”

Such New Age gobbledygook may have passed muster two years ago, but after 18 months of devastating destruction under the guns of the IMF and the speculators, hardly a soul on earth, except for a few Wall Street yuppies, would rally to a call to “make adjustments to the new era” of IMF dictatorship. And, yet, Anwar continues: “The reformation is demanded from within, not due to external pressure. . . . Let there not be groups who are accusing it of being an external conspiracy.”

Anwar also openly aligned himself with the supposedly nonexistent external pressure against the country, by denouncing Dr. Mahathir’s currency controls in a CNN interview as a “jingoistic outburst,” which is “too radical” and shows “excessive nationalist concern.” Anwar has also attempted to portray himself in the same light as those who overthrew President Suharto in Indonesia, accusing Mahathir and the government of “corruption, cronyism, and nepotism,” the rallying cry heard in Jakarta. At one rally in mid-September, Anwar ranted: “How long do they want to cling to power? How long do they want to monopolize wealth? How long do they want to cheat people?”

Compare this to the lead *Wall Street Journal* editorial on Sept. 3: “The sacking Wednesday night of Malaysian Deputy Prime Minister Anwar Ibrahim signaled the end of a battle for the soul of an important nation. . . . At home and abroad, Mr. Anwar had come to symbolize the democratic aspirations and open-mindedness of a new generation, more at ease in the world and less burdened with the pain of old sleights and frustrations than the man he was expected to succeed.” The only “democratic aspirations” the *Wall Street Journal* cares about are those of unrestricted freedom for looting by the hedge-fund speculators. Is this Anwar’s new-found constituency?

Dr. Mahathir's campaign

The internal developments in Malaysia over the past 18 months put Anwar's now-subversive efforts in proper perspective. The speculative assault on the Asian currencies in the summer of 1997 led Dr. Mahathir to denounce the currency traders, and George Soros in particular, of crimes against the people of Asia. In a speech to the IMF Annual Meeting in Hong Kong on Sept. 20, 1997, Mahathir called on world leaders to move rapidly to impose controls on the unregulated derivatives markets or face a global crisis. He was ridiculed at the time, and a concerted campaign began in the Western press to promote Anwar as a more compliant friend of the IMF, who should quickly replace "the old man"—as Anwar recently called Mahathir.

Dr. Mahathir refused to subject his nation to the destructive "conditionalities" demanded by the IMF in exchange for loans, but he realized that Malaysia, on its own, could not reverse the global crisis. While campaigning politically and diplomatically to persuade world leaders to take emergency action, he allowed Anwar, as Finance Minister, to implement policies generally modelled on the IMF "cure" being imposed on Malaysia's neighbors—high interest rates, massive budget cuts, and other austerity measures. The policies did not work in Malaysia, nor did they work anywhere else. Mahathir conceded as much during a visit with Chinese community leaders at the Prime Minister's Department on Sept. 22, according to the daily *Utusan Malaysia*, when he said of Anwar, "Unfortunately, he doesn't understand finance or economic management. He can talk, but he really doesn't understand how to manage the economy. Now he is not there, I think we can manage the economy better." In particular, Mahathir said Anwar was responsible for shortening the period for classification of non-performing loans to three months from six months, which decision was reversed by the new Bank Negara leadership this week.

In June of this year, as the economies across Asia fell deeper into recession, key supporters of Anwar within the UMNO attempted to "Suhartoize" Mahathir at the UMNO General Assembly. The then-head of UMNO Youth, Zahid Hamidi, one of Anwar's strongest supporters, launched a blistering attack on "corruption, cronyism, and nepotism," clearly aimed at bringing down the Prime Minister. Instead, Mahathir counterattacked by releasing the names of all those who had benefitted under the government's long-standing affirmative action policy, which favors Malays over the traditionally Chinese-dominated business layers, and which used privatization of state-sector firms as a way of building up Malay-owned businesses and a Malay middle class. Not surprisingly, Anwar's family, as well as Zahid Hamidi himself, were prominent on the list of those who had benefitted. The Prime Minister said that, if this was cronyism, then all Malaysians were his cronies. The attempted "Suhartoization" collapsed. Anwar swore loyalty to Dr. Mahathir, claiming he had had nothing

to do with the attack on the Prime Minister.

During the UMNO conference, a book, *50 Reasons Why Anwar Cannot Be Prime Minister*, was circulated covertly to all participants. Full of accusations of corruption, treason, and sexual perversions, Anwar succeeded in getting a court order to stop its circulation. An investigation was launched into the authors and publishers of the book, but also into the veracity of the charges, some of which date to 1993, according to recent reports. Over the following months, several of Anwar's friends were arrested as part of this ongoing investigation.

Following the UMNO General Assembly, Mahathir took matters into his own hands in dealing with the unfolding economic disaster. He brought back his old friend, Tun Daim Zainuddin, former Finance Minister who had led the country out of recession in the 1980s, as Special Functions Minister to oversee the newly created National Economic Action Council. Although this somewhat curbed Anwar's power as Finance Minister, he was an active member of this economic emergency team. He continued his public support for the Prime Minister, giving speeches in New York and elsewhere, increasingly critical of the IMF and the speculative markets.

In July, two leading newspaper editors, known as supporters of Anwar, resigned. In late August, the governor and deputy governor of Bank Negara resigned. Both, like Anwar, had defended high interest rates and austerity along the lines of IMF recommendations, and had been strongly criticized by nationalist leaders, including Mahathir. Then, on Sept. 1, the bomb was dropped, in the form of currency and capital controls, followed by Anwar's sacking and subsequent arrest.

A just, new world economic order

While the bankrupt financial oligarchs are using every available means of financial warfare to bring down the Malaysian government, for the moment with political help from Anwar, the immediate question is what role Dr. Mahathir will continue to play in shaping the fight for global financial reorganization. President Clinton, in his Sept. 14 speech before the New York Council on Foreign Relations, acknowledged that the economic crisis is global in nature, and called for an emergency meeting of national leaders within 30 days to formulate policies for a "new architecture" for the world financial system. With both China and Russia now addressing the urgency of drastic change in the global financial system, and many smaller nations cautiously acknowledging Dr. Mahathir's leadership in rejecting the failed IMF policies, it is urgent that President Clinton return the United States to its historic role as champion of development, national sovereignty, freedom, and the pursuit of happiness, and seek the necessary alliance of nations with leaders, such as Dr. Mahathir. The *just* New World Economic Order is again on the table.