
Interview: Datuk Seri Dr. Mahathir bin Mohamad

Malaysian Prime Minister: We had to decide things for ourselves

On Jan. 22, Gail G. Billington of EIR's Asia Desk and Dino de Paoli of the Schiller Institute were given the opportunity to interview Datuk Seri Dr. Mahathir bin Mohamad, Prime Minister of Malaysia, in his office in Kuala Lumpur.

EIR: Your historic address to the 1997 IMF Meeting in Hong Kong pinpointed the role of speculators, in specific, George Soros, in triggering the assault on the regional currencies and stock markets in Asia. Coming from a sitting head of state, many were stunned by your remarks and tried to minimize them at the least. But the Asian and European editions of the *Wall Street Journal* said that you got those ideas from *EIR*, even though the *Wall Street Journal* did not publish the article in the United States, because, if they had, it would have provoked an incredible uproar in the United States.

A year and a half later, the consensus has swung around overwhelmingly in support of what you said at that time, including agreement that the IMF's medicine to deal with the crisis is worse than the disease itself. And I think that this latest *mea culpa* from the IMF that, "yes, we were wrong," is more than evidence of that.

What led you to deliver that diagnosis at the time and why do you think others were so slow to recognize what you understood?

Dr. Mahathir: Well, when for the first time, countries decided to float their currencies and allow the market to determine the exchange rates; that was way back in the 1970s, I felt even at that time that the sovereignty of countries had been lost, and when you leave it to the market, the market is motivated entirely by profits—actually, greed—and you cannot expect greedy people to act in a sensitive way. And if they can see how they can make money for themselves, they couldn't care less if they destroy whole countries or they impoverish people. So this thing has been in my mind for quite some time, and when these things suddenly occurred in Southeast Asia, I thought that this is what is going to happen, because they had attacked Mexico before, and we thought we were immune, but now we can see that it has nothing to do with fundamentals. It is just a question of the currency traders seeing an opportunity for them to make money. That's all.

EIR: In that speech, you touched on a number of themes, which I'd like to revisit. You said: "We had forgotten the

experience of Japan and Korea, when these two countries seemed about to catch up with the developed world, things began to happen to them. We dismissed the rumor that Malaysia would go the way of Mexico. We did not realize how close we were to a manipulated economic crisis. We blithely sailed on."

Can you expand on what happened to Japan and Korea and Mexico, and what lessons should nations draw from that shared experience, and how have you tried to forewarn others, who might also "blithely sail on"?

Dr. Mahathir: Well, in the first place, Japan developed very fast, and, in fact, Japan was developing at a time when the Western countries did not believe that Eastern countries could actually catch up with the West, so Japan was allowed. And then, of course, later on, when Japan appeared to be doing too well all the time, the yen was revalued upwards in order to make Japan less competitive. You can see that these are deliberate attempts to slow down the growth in Japan.

In the case of Korea—because of the experience in Japan—the Eastern countries, like Korea, can actually develop and catch up with the Western countries. Before they could reach that stage, there was this idea about "newly industrializing countries," NICs, this was coined in order to justify stopping Korea from growing, and after that, of course, Southeast Asian countries, even Malaysia, began to develop fast, and there seemed to be a fear that Eastern countries might actually pose a threat to Western domination, and so something had to be done to stop them. And, we think that one of the reasons for attacking the currency is to stifle growth.

EIR: For some months after the initial shock, Malaysia successfully avoided having to go to the IMF, but tight monetary policies were imposed, within a continuing floating exchange rate regime. Why was that done, and what price did Malaysia pay for the attempt to avoid having to go to the IMF?

Dr. Mahathir: Well, although we didn't ask for any loans from the IMF, the IMF kept on coming here and telling us that we must do what they wanted us to do, which means that in order to stop the currency traders from getting hold of our currency, we must raise interest rates. We must squeeze credit. We must force companies to go bankrupt by shortening the period for non-performing loans, and because at that time the IMF had a lot of influence over the then-Minister of Fi-



Malaysian Prime Minister Dr. Mahathir bin Mohamad (left), with Gail Billington of EIR and Dino de Paoli of the Schiller Institute. "It has become obvious to everyone," said Dr. Mahathir, "that you cannot allow the market to determine how the international economy is run. If you don't regulate, it would seem that the international economy will collapse, as you can see it has already spread from East Asia to Russia to Latin America, and even to Europe and America."

nance and the central bank, they followed IMF conditions; and, as a result, the economy just went into a tailspin. Our companies and banks were going bankrupt.

EIR: How and when was the decision made to impose the emergency controls on Sept. 1? What effect have they had? Even in mid-December, the IMF World Forecast conceded that they had had some success—that Malaysia has fared better under those controls than the countries that had gone along with the IMF policies.

Dr. Mahathir: We found that our appeals to the international institutions to curb currency trading failed to incite any response at all. They did nothing. And our currency kept on going on down and down, and that had a very bad effect on our economy. And as I said just now, we were going to go bankrupt—the whole country would go bankrupt—if we were to wait for the IMF to curb currency trading.

Since they are not going to do it, we had to do things for ourselves. And the only thing we can do is to stop our currency from getting into the hands of the currency traders. That means making the currency only legal tender within the country. Outside the country, it is worth nothing, and it cannot be brought back. Once it goes out of the country, it cannot be brought back. And that stopped the currency traders from devaluing our currency, and at the same time, of course, we stopped the trading of our shares outside our markets. They were being traded in Singapore, and the idea was to force the share prices to go down so low that once we asked the IMF for help, and the IMF insisted we open up our country, then

they can come in and pick up all the companies at rock-bottom prices. So we had to decide to do things for ourselves, because we cannot expect the international community to do anything for us.

EIR: You and other officials of the government have repeatedly said that the controls will remain in effect until such time as the global problem of currency speculation is addressed and remedied. In the fall of 1997, Japan spearheaded a push for an Asian Monetary Fund, which idea is coming back now, which met stiff opposition from the multilateral institutions and the G-7, including the U.S. at the top. The focus then shifted to the so-called G-22 group, which came up at the 1998 Vancouver APEC [Asia Pacific Economic Cooperation Forum] summit, but as recently as the Hanoi ASEAN [Association of Southeast Asian Nations] summit and the APEC conference in Kuala Lumpur, the Southeast Asian countries again affirmed that the G-22 provides a more appropriate forum for such discussions, if not the ideal forum for that.

What are your expectations of the G-22 context, and what would you wish it to accomplish that it has not yet accomplished?

Dr. Mahathir: The G-22 is a lower-level forum because it is made of ministers and governors of banks; in fact, it should be subordinate to the APEC, which is a meeting of the heads of governments of some of the most powerful economies in the world. But it seems strange to me that APEC should ask the G-22 to do what APEC should be doing, because the one thing that is needed really is a decision to curb currency

trading, and that decision can only be taken by the most powerful economies in the world. And those people are represented in APEC.

EIR: In June there is a G-7 meeting, where they are talking again about the possibility of reform, or some kind of stabilization. Do you expect anything out of this?

Dr. Mahathir: You see, we consider that their experience is different from our experience. We were the subject of the attack. What happened to the rich countries is that the instrument that they used for attacking us got into trouble—the LTCM [Long Term Capital Management hedge fund] got into trouble, and they lost money. And they are interested in stopping their loss of money from their operations. We are interested in protecting ourselves from the results of what they have done.

So, we are looking at the same thing, but from a different angle. My fear is that when the G-7 tackles this problem, it will look at it from the point of view of how to enable the funds to operate in a profitable way. In other ways, we must not, for example, decide to control our currency, or, like Russia, decide not to pay the debts. You see, that is a different thing. So I'm not very hopeful.

EIR: Actually, we'll come back to the LTCM case, because there is an interesting side to this, which hasn't been made public yet, but it has a lot to do with corruption involving Al Gore and Viktor Chernomyrdin from Russia. The LTCM case was used to bail out financial interests that Gore and Chernomyrdin were very much tied into with this hedge fund operation, including firms such as D.E. Shaw, which is—you talk about corruption, this is about the highest level of corruption you can actually get to, so we'll come back to that.

In regard to the G-22, you had said in November 1997 at the G-15 summit: "A world trading system cannot rely on market forces. It is time that we draw up fair rules for the marketplace. If we don't, then the fight for independence will have to begin all over again, for the present market rules will surely result in a new imperialism, more noxious and debilitating than the old."

Do you have anything more to say about the new face of imperialism for developing economies?

Dr. Mahathir: It seems to me that more people now are realizing that this is, in fact, a new kind of imperialism where the weapon used is really capital—capital that can be used to impoverish countries to the point where they have to beg for help and when they beg, then you can impose conditions on them, and then one of the conditions, of course, is that you must open up the economy and allow all the foreign companies to come in and operate freely. And these foreign companies are huge companies, huge banks. They will come and they will compete with the small firms and small banks, and these banks will eventually fail and be absorbed by the big foreign banks, and we will have no more banks of our own.

They are, of course, saying that we will get the best service, the people with the most amount of money, but we will be just workers in foreign companies. We will have no independence anymore, and as in the case of the banana republics, when the economy is totally dependent on foreign-owned businesses, they dictate the political future of the country. We have to accept. If they don't like a person to become a President, for example, they can mount an operation that will bring down that person, as they have done in some countries. And this means that we have no more independence. You know, when our politics is determined by foreign investors in the country, then where is the independence?

EIR: Certainly under conditions in which foreigners actually ran the banking system, then you wouldn't have any leverage to carry through on the kind of capital controls you have imposed. They'd be dictating your whole economy.

Dr. Mahathir: Yes, well, they just dry up the funds, and we have to kowtow to them.

EIR: In early 1997, *EIR*, on the initiative of Mr. and Mrs. LaRouche, launched a call for the convening of an emergency conference for global monetary reform, going back to the best principles of the old Bretton Woods system—fixed exchange rates, preferential credits for infrastructure development, Marshall Plan approach for rebuilding economies, these ideas—but also with the purpose of creating new mechanisms to finance such global reconstruction. What do you think of the idea of such a new Bretton Woods conference?

Dr. Mahathir: I think it would serve a very useful purpose, because we know that while the Bretton Woods convention was in force, the world was growing at a very rapid pace, and, in fact, recovery of the world after the war was largely due to the Bretton Woods institution, and, of course, the Marshall Plan and all that. But if it was jettisoned, if it was done away with, it was because some countries reneged on their commitments to the Bretton Woods. It is not because of Bretton Woods itself, it is because somebody did not follow Bretton Woods. So, there is no reason why you should just drop the Bretton Woods system when, in fact, it has done the world a whole lot of good.

EIR: Are you referring to Nixon's decision?

Dr. Mahathir: Well, actually Nixon was involved, of course, but this was somewhere in 1971-73, when one country at least decided to devalue their currency and, therefore, did not stick to the Bretton Woods. And after that there was this belief that if countries are not allowed to devalue their currency, then they cannot survive, and, therefore, having a fixed exchange rate will not be helpful for the world's economy.

EIR: In August of 1998, there was a series of events that brought the question of the role of speculators very clearly into focus—Hong Kong sprang a trap against the speculators

We believe in certain common values, but we also believe that each nation should have a right to decide for itself, to retain its own independence. . . . But at the same time, countries should not do anything to harm other countries, which is why we always talk about “prospering our neighbor.”

targetting their currency; China moved against speculators and, now, has moved to shut down the speculation that had gone on with the GITIC corporation in Guangdong; and Taipei declared that it was illegal for anyone to deal with George Soros in his hedge fund operations. But in the middle of all this, the Russian crisis came to a head with the temporary debt moratorium, and the subsequent shakeup has brought in a number of Academicians around Yuri Maslyukov and others, who have signalled that their priority will be to focus on reversing the terrible collapse of living standards in Russia. How do you see this shift toward greater regulation?

Dr. Mahathir: It has become obvious to everyone that you cannot allow the market to determine how the international economy is run. If you don't regulate, it would seem that the international economy will collapse; as you can see, it has already spread from East Asia to Russia to Latin America, and even to Europe and America. This lack of regulation is not doing anybody any good at all, so I think even people in the United States are beginning to think that there must be some regulation. Jeffrey Sachs, for example, talks about regulation. Paul Krugman talks about regulation, and I think the idea is spreading.

EIR: The Kuala Lumpur summit of APEC this past year seemed to be the next opportunity to talk about “new global architecture,” but was significantly undercut by the absence of President Clinton, and his substitution by Al Gore. But what did emerge out of that summit meeting was a series of bilateral meetings and subsequent state visits involving China, Russia, India, and Japan, which seems to identify a new correlation of countries looking for how to address this situation, and redefining their bilateral relations in this context of a concert of nations for reconstruction, rebuilding of the financial system.

What do you think of this new degree of collaboration among the major powers in Asia, but also in cooperation with ASEAN and what your nation has done so far?

Dr. Mahathir: They are good in that they help us to focus on the problem, but the main player is actually the United States because only they can regulate currency trading because they are being operated out of the United States. For example, the huge leveraged loans given to these funds come from banks in the United States, and the amount is huge—20 times, even 200 times! And only the United States can tell the

banks, you must not lend such money because you are risking money belonging to the people. If the United States doesn't act, then, of course, the others can talk, but it is not going to have any result. Unless, of course, now we have the switch to the euro, that will reduce the dependence on the U.S. dollar.

EIR: The idea of global reconstruction that has come up around the Eurasian Land-Bridge, I'd like to address that, because I know that this is something that Malaysia has been very actively involved in. In your Hong Kong speech of 1997, you very clearly identified the fact that Malaysia is looking at this great project and global reconstruction, and you situated that in saying that Malaysia likes to “think big—we even have great ideas for bringing wealth to other developing countries. We proposed the development of the Mekong Valley, beginning with the railway from Singapore to Kunming. We want to link up with the railways of China, Central Asia, and on to Europe, but we are not going to be allowed to do this because you don't like us to have big ideas.” And Malaysia calls this the “prosper thy neighbor” policy. And before this crisis hit, Malaysia was very actively involved in a series of growth zones.

Where do those projects stand now, and what is the prognosis for getting them restarted?

Dr. Mahathir: As far as the Mekong project is concerned, we are progressing quite slowly. We have to do really very little, because already the railway lines are in place. There are some breaks in the railway lines which need to be put in place, and then we can have a railway line that stretches from Singapore to Kunming in China, but the other part which I mentioned, the trans-Central Asian railway, that requires very big investments, but these countries are unable to develop because of transportation problems: We depend too much on ship transportation, but railways have not been really exploited. I think in terms of a huge railway network through Central Asia, even if it is just first one line. We can have a train two miles long that can carry goods at a very cheap cost across Central Asia. That will enable Central Asia to bloom. It's an idea, and I don't think it will happen in my time, but people have to think about such things.

Why not help people to become prosperous, rather than thinking of ways and means of stopping from developing? Because, to me, what is being done now is, to stop us from developing. We were growing at 8% for years and we could

have continued almost indefinitely, but this crisis has caused minus growth for us. Not because of our doing, but because our currency has been devalued.

EIR: You have criticized the IMF very correctly, but do you think the World Bank is doing enough in the direction of financing some of these projects?

Dr. Mahathir: The World Bank has been more understanding, I must say. They have lent us some money. We did not borrow from the World Bank, because we thought that we could afford to do without it. But now, of course, we need some money and they have lent us money. Unfortunately, the World Bank seems to link their loans with something that is happening internally in Malaysia, and they do this on the basis of their friendship with certain people, and not on the basis of what is right and what is wrong.

EIR: At the Kuala Lumpur APEC meeting, Vice President Gore blamed the Asian crisis not on speculation, but on “*korruptsi, kollusi, and nepotisme*,” and lack of democracy. He also was a very strong proponent of “sustainability” versus great projects, but shortly after that—and this is part of the problem with Gore having been here—Clinton went to South Korea, and, for the first time that I recall, he said that the crisis was not the fault of the Asian countries, but that when you have \$1.2 trillion in currency trading in any given day, it is out of the control of any single country to address the problem. And previously he had, through [late Commerce Secretary] Ron Brown, a policy of U.S. capital goods exports to Asia to help build the infrastructure, power generation, in the kind of collaborative relationship that we think is the direction that policy should go for the U.S.

Do you think it is possible for Asia to meet its goals in infrastructure development without “thinking big”?

Dr. Mahathir: I don’t know what is meant by “thinking big.” We are doing things because of real needs. For example, our requirement for electricity is very big, and we have to have great projects, although it costs a lot of money. We built a new airport because the growth was so great that we needed a new airport, and you don’t build an airport that is 10% bigger than the last one. Because building an airport must require planning for 100 years, because it is not easy to locate an airport. People object to having airports. So I don’t see why there should be focus on all these things. Although they appear big, but they are also essential, and we could afford it.

Blaming these things for what happened to us is absurd. For example, if there is corruption, it must have been there a long, long time. Why is it that we grow? How is it that we became the “miracle” economies? And why is it that only when the currency traders devalued our currency did the economy collapse? How can you say this is due to the corruption of the government, when for the past 20 years we have been growing steadily, much faster than any other country in the world?

Surely, the government must be doing something right. But it only stopped once the currency traders moved in, and that is why we blame the currency traders, not the government. Yes, we are not perfect. Okay, find some other way of making us perfect, but don’t destroy us in order to bring about perfection. We cannot understand this idea of “constructive destruction.” You know, you destroy us and you say that we are going to rise like a phoenix from the ashes—it is absurd. You know, you destroy something, it is not easy to rebuild.

EIR: Do you care to comment on what you see as the contradictions in U.S. policy on this, and what kind of partnership with the U.S. would you like for Malaysia to have?

Dr. Mahathir: I have this feeling that the U.S. never really understands the East Asian problem. That is why you find contradictory statements being made by the leaders of the U.S. They need to have a really in-depth understanding of East Asia, our ambitions and our needs, and all that, so that we can cooperate. We have nothing against the U.S. as a country, but the U.S. government and, unfortunately, the media as well, tend to have a distorted view of East Asia, as if we are trying to challenge the U.S. It is not so. But we think we have a right to enjoy as much of a good life as anybody else. That is all that we want, but you find Clinton saying one thing, Al Gore saying another. At times they have good ideas, but somehow or other they get shot down by others.

EIR: We have a Spanish-language edition of *EIR*, which circulates in Ibero-America and has carried many of the statements you have made over the last year and a half, and this has contributed in Ibero-America to a very intense national dialogue, which we’ve seen reflected most dramatically in Mexico, with a recent trip that Mrs. LaRouche made to Mexico, where former President José López Portillo joined her at a seminar. Earlier she was in Brazil this year, and I think that you can see from the reflection of what’s being said now about the Brazil crisis, that this continuity of dialogue on these ideas is getting across.

In the Mexico meeting, President López Portillo actually, at a certain point, advised the audience that they should “listen to the wise words of Mr. LaRouche.” In the United States, we are on a campaign to have LaRouche brought in as the economic policy adviser to Clinton, to try to end this phase of contradictions of which side of the mouth the U.S. is speaking from on these economic issues. Do you have any comment on that proposal?

Dr. Mahathir: Yes, I think advice and discussions are very important here because, firstly, we all need to understand what the problem is all about, and we need to learn about each other’s experience and how we tackle the problem. So, this kind of contact must serve a useful purpose, and we would welcome that certainly.

Unfortunately, of course, the words are passed around that the *EIR* is a fascist grouping, which is trying to—this is

told to me by some of your detractors, including my former deputy, who told me earlier that *EIR* is a fascist paper, so we shouldn't listen to it. So that is the way of undermining any attempts on your part to try and promote the kind of ideas that *EIR* has always been focussed on.

EIR: I think we can say that we've seen some common enemies in the course of the last year and a half on these things. The press, the role of the media in this situation, and the continuity of which press say what under certain circumstances; I think it's a trail of evidence, if you will.

Let me add, we have been pushing these ideas since 1972-73 openly, so the enemy began to attack us since that time with all kinds of bad names. Recently, they treated you with certain bad names, too, so you can understand why they use these bad names against opponents of the monetary system.

We've also paid a price. My husband [Michael Billington] has been in prison for the last eight years. He was one of the people targetted in the political prosecution of Mr. LaRouche and associates in the 1980s. It's a long story, which I've been invited to address here on "human rights from an American perspective." Another case concerns the political targetting of black elected officials in the U.S.; roughly one-third of all black elected officials have faced charges to stop a certain class of leadership from emerging in the U.S. political spectrum.

EIR: The German poet Friedrich Schiller, who was the great republican poet of Germany, once said that we must be at the same time patriots of our own nation and citizens of the world. How do you see our responsibility as world citizens, and how is that distinguished from interfering in the sovereignty of other nations?

Dr. Mahathir: We believe in the, well, more or less the integration of all the countries in the world. We believe in certain common values, but we also believe that each nation should have a right to decide for itself, to retain its own independence. There should be no country imposing its will on the rest of the world in the name of universal values. These universal values, as claimed by some, are not really universal, so we must be tolerant of other people's ways of doing things. But at the same time, countries should not do anything to harm other countries, which is why we always talk about "prospering our neighbor." It is our own experience that when we became prosperous, those who helped us, benefitted. Japan invested in Malaysia; we became prosperous, and we buy more goods from Japan. If we are poor, we cannot buy from them, so you prosper us, we prosper you. This is what we believe.

So, while we should look after our own affairs, we should also be interested in our neighbors, as part of the global community. And, today, neighbors are not only next-door neighbors; because of ease of communication, even the most distant nation is a neighbor, which is why Malaysia has gone to Central Asia. We have gone to Latin America. We have gone to

Africa, to work with them in a small way, to show what is our experience in development, and see whether it is relevant and can be used by them.

That is our view of nationalism, as far as we are concerned; it is Malaysia, of course, but we also have an obligation to other countries in the world.

EIR: As this economic crisis has deepened, it has taken a serious toll on the population of countries and has contributed to increasing frictions between different religious groups, ethnic groups, political and social problems—Indonesia is an unfortunate example of this, and it has put tremendous strains on the Pancasila framework for that country. There have been others who have spoken of the "clash of civilizations," such as Samuel Huntington, and that Islamic and Confucian world-views are incompatible with a so-called "Western" view. The idea of "divide and conquer" is a product of colonialism. What do you see as the role that the great religions can play in contributing to the idea of a just new world economic order?

Dr. Mahathir: I think there is a need for us to understand each other. In Malaysia, we have an Institute of Islamic Understanding, the purpose of which is to make Muslims understand their religion and to make non-Muslims understand what is Islam, because the common label for Muslims is that they are people who are irrational, given to violence, terrorist activities, and all that. That has to be corrected, because we are not like that at all. There are among us some terrorists, I admit that, but there are also terrorists among Christians, even among the Buddhists or the Japanese have thrown up some of the most violent groups, religious groups that we have seen lately. So you can't confine and identify terrorism to any one religion.

Now once we understand that, and we talk to each other, I think this idea about clashes of civilization will just not happen. But there are some parties, which are bent upon playing up religious differences by giving distorted pictures of other religions. Here in Malaysia, we have people of every different kind of religion. We have Christians, Buddhists, Hindus, Muslims—everybody is here, but we live at peace with each other. We don't have any religious riots in this country, or racial riots in this country. I don't see why the rest of the world should have.

If you want to put a stop, like in Kosova, you have to act properly. But people are being massacred in front of our eyes, and people with the power to stop the massacres have literally done nothing.

EIR: General de Gaulle spoke of France as an idea, rather than simply a geographical area, and he insisted that the nation must be guided by a conscious sense of an historical mission. What do you see as the idea that is Malaysia, and what do you see as Malaysia's mission in the region, and mission in the world?

Dr. Mahathir: Firstly, of course, we have to focus on our-

selves and to develop ourselves, just to prove that it is possible for a developing country to lift itself up by its own bootstraps, so to speak. But beyond that, we have always advocated a friendly policy towards our neighbors, to help our neighbors, and to cooperate with our neighbors, and when we talk about neighbors, we don't mean just next-door neighbors, but anywhere — people who are in the same position as we are — that is why we have spent huge sums of money providing training for thousands of people from Africa, from Latin America, from the South Pacific, and from Southeast Asia, as well as Central Asia. They have come here to learn about how to develop a country, because for us, if a country becomes prosperous, and we know them, then they are going to be good trading partners for us. As a trading country, Malaysia needs trading partners. We have to diversify; we can't just trade with Europe, America, or Japan. We have to trade with everybody; but you cannot trade, if people are poor, so we have to help them become rich. It's small investments, but I think it is good for us in the future.

EIR: You challenged the big powers with certain of your declarations and certain of your actions to defend your own people. Are you scared that beyond slanders, something after this strong Gore remark here, any other type of destabilization could be launched against your country and yourself personally?

Dr. Mahathir: Many types of destabilization and pressures have been exerted on us. Firstly, of course, the currency traders and their devaluation of our currency, and then we had the IMF, which is pressuring us to open up our market, and then, of course, there is this attempt to stir up the people to rise and overthrow an elected government, a democratic government. So-called democrats are urging people to overthrow the government without regard for democracy. Then, we have the attempts to prevent us from recovering, like, for example, press reports, which deter people from visiting Malaysia. People cancel visits to Malaysia because the press describes Malaysia as a war-torn zone, that it is having riots all the time. They even describe Malaysia as having a haze and it's unhealthy, so don't come to Malaysia. And then, beyond that, not only the press, the rating agencies, when we have a need to borrow money, they immediately downgraded us so that it will cost us 15% to borrow money. They stop us completely from borrowing money.

It looks to us that if you go against the powerful, they will use every instrument against you; but we feel that if we are going to be independent, and you believe in democracy and freedom of speech, you must be frank, and we must tell the world that this is what is wrong. I mean, if people do something that is unfair to us, we feel a need to express our view. Of course, we run that risk; today the risk is very great because, for example, we have a steel industry, which is small. We can't compete against the big people, but if we open up our market, they will dump the steel here, and our steel indus-

try will fold up. But it is not only the steel industry; the automobile industry, the banking industry, everything now is under threat. So we see a very bleak future ahead of us.

EIR: Because you mention the steel industry, you saw the declaration of President Clinton in the last days, where he threatened to stop steel imports from Japan. So it seems that in the United States, also, they are taking protectionist measures to defend their own industry, while they are complaining about others.

Dr. Mahathir: This is a double standard. For example, they have this countervailing duty and they had a very vicious campaign once directed against our palm oil, saying that our palm oil is bad for the health, even though scientists in America itself found that it is safe and is good for health, but that is the kind of campaign, the kind of action taken against which we find ourselves quite powerless. For a small country like Malaysia, this is very difficult for us to manage in a world where we really have no leverage. In the past we had leverage because we can always opt to go to the other side, in a bipolar world. In a uni-polar world, you can no longer opt to go to the other side; there is only one side.

If you don't submit to that side, then, of course, you will be punished. And we feel that we are being punished now.

EIR: Is there any country that has been more helpful than others to your country?

Dr. Mahathir: Japan has tried to help. They proposed these loans, but every time they made the proposal, they were shot down. And when we proposed the East Asia Economic Caucus, to bring East Asian countries together as much as Europe has come together, or North America has come together, we thought that we should speak on common issues together, but we were told that we cannot have any grouping involving only ourselves. If we have a grouping, it must include also the United States, as in APEC.

EIR: Malaysia has played a key role in trying to realize the ASEAN founders' goal of uniting all 10 Southeast Asian countries, along with closer collaboration with the major Asian powers, Korea, Japan, China, and India. We were in Cambodia before we came here. What surprised us was the extent of dollarization of the economy, in a country that is largely dependent on foreign aid, while enduring economic sanctions. Cambodia has little access to funds, yet they hardly control their economy, because everyone wants dollars, not the national currency. To my mind, this is exemplary of why, short of a New Bretton Woods, some countries don't stand a chance. A New Bretton Woods, combined with the Eurasian Land-Bridge program, is the future. We are at a unique moment in history, where we are equally close to a total revolution for the good through reform of the monetary system and a global development program, as we are close to a collapse of civilization. In a country like Cambodia, what collapse

of civilization means is palpable. It is a fragile moment in their history.

And yet, as we saw with people in Phnom Penh, there is such optimism. It's bustling with activity.

What is your sense of the prospects for the future?

Dr. Mahathir: I think we need time in the first place. You cannot change people overnight. You mention Cambodia, which went through a very traumatic experience. Suddenly to ask them, now you must become a democracy, you must have a multi-party state. You know, for a country not used to democracy and freedom, the tendency is to form any number of parties. They may have 40, 50 or 120 parties, which means that the people will be so divided up that there will be no party that will emerge as a national party, able to form a government, then there will be weak coalitions. Government will be unstable, and they will keep on changing governments, and there will actually be no government.

We have to understand the difficulties that they face, so we have to tolerate a little bit if they are not as democratic as we would like them to be. After all, it took the U.S. a long time to develop democracy. It took Europe a long time to develop democracy. Switzerland gave the vote to women only a few years back. So, why are we insisting that you must be 100% democratic, otherwise, you are out? It is not possible—sentiments, culture. These things play a role, so our view about Cambodia is that we should bring them in. Let us work to-

gether. Let us expose them to what can be done. We have brought a lot of Cambodians here just to explain to them, this is how a free market works.

A free market is not easy. You ask the Russians to have a free market and democracy all at the same time. They do not understand democracy, never had democracy, not even during the Tsars' time. How do they suddenly become democratic? It's not just so simple. Then you ask them to have a free market.

For 70 years, they had only these state enterprises. They had no entrepreneurs, no managers, and no private capital. How do you have a free market? You must give time for them: In fact, I spoke about this to Kissinger, I spoke about this to John Major, to Margaret Thatcher, and a few others, that you have to teach Russia how to manage a free market. When you ask them to become both democratic and operate a free market, they will fail. This I told them 10 years ago, and they failed.

China, I think, did better, because it retained the political system, a very rigid political system, but allowed for a free market, operating under very strict conditions. China is also fortunate in that it has a lot of expatriates who went home. All the Russians who went to the United States or Britain, they became absorbed there, they haven't gone back to Russia. Russia has got no entrepreneurs, no managers, no private capital, and it's going to go into a series of experiences like we are seeing now.

LAROCHE ON THE NEW BRETTON WOODS

“The present fatally ill global financial and monetary system must be radically reorganized.

It can not be reformed, it must be reorganized.

This must be done in the manner of a reorganization in bankruptcy, conducted under the authority not of international institutions, but of sovereign governments.”

A 90-minute videotape with excerpts from a speech by Lyndon H. LaRouche, Jr. given on March 18, 1998.

\$35 postpaid
Order number
EIE 98-002

EIRNewsService
P.O. Box 17390,
Washington, D.C.
20041-0390

To order, call
1-888-EIR-3258
(toll-free).

We accept Visa or MasterCard.

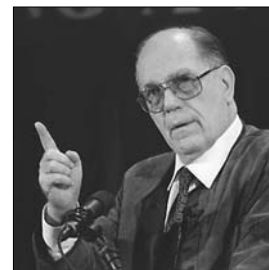
THE WORLD FINANCIAL COLLAPSE LAROCHE WAS RIGHT!

An EIR Video

What does Indonesia's Minister of Economy, Finance and Industry, Ginandjar Kartasasmita, know about the global financial crisis that you don't?

Here's what the Far Eastern Economic Review reported July 23:

“It seems the IMF isn't the only organization



supplying economic advice to the Jakarta government. . . . [Reporters] were surprised to spot, among [Ginandjar's] papers, a video

entitled, ‘The World Financial Collapse: LaRouche was Right.’ Lyndon LaRouche . . . has been arguing for years that the world's

financial system was on the brink of collapse due to unfettered growth in speculative funds; he says now that the Asian crisis is just the beginning. . . .”

Order number EIE 98-005 **\$25** postpaid.

EIR News Service P.O. Box 17390 Washington, D.C.
20041-0390 To order, call 1-888-EIR-3258 (toll-free)
We accept Visa or MasterCard