

Malaysia's Dr. Mahathir takes on the British—not for the first time

by Michael O. Billington

Malaysia's Dr. Mahathir Bin Mohamad, at 71 years of age, and for 16 years the prime minister of his country, has emerged over the past months as a leading spokesman of the Asian nations, and of developing sector nations around the world, against the rapacious looting of global speculators, and the financial system that promotes them, under the general direction of the International Monetary Fund (IMF). The raid on the currencies of the Southeast Asian nations, which began in mid-May and continues unabated today, by George Soros and his fellow hedge-fund speculators, has already stolen many billions of dollars from these relatively poor nations. Using leveraged funds (estimated at over \$1.2 trillion daily by the Bank for International Settlements) to drain the reserves of Thailand, Malaysia, Indonesia, the Philippines, and others, through speculation in futures markets, the hedge funds forced the devaluation of the currencies, the collapse of the stock markets, and the imposition of "conditionalities" by the IMF and other creditors, driving these nations back about 15-20 years in terms of development potential and standard of living.

Readers of *EIR* were not surprised at the sudden collapse of the much-promoted "Southeast Asian Tiger Miracle." This journal has consistently warned that the economies of the region were built upon hot money, low-tech export industries, and vast speculation—i.e., increasingly "bubble economies," created by the disastrous "globalization" process, which has brought the entire world economy to ruin, and the world financial markets to the brink of collapse. These "tigers," Lyndon LaRouche forecast, would soon go the way Mexico went in 1995.

Dr. Mahathir had been, until this summer, an outspoken proponent of globalization, believing that he could realize his ambitions for Malaysia to become a fully industrialized and modern nation, while allowing the growth of foreign-owned, "outsourced" process industries, and the deregulation of the financial markets, that the globalized markets demanded.

To Dr. Mahathir's credit, when LaRouche's warning was borne out, with a vengeance, this past summer, the prime minister admitted he had been terribly wrong not to heed such warnings. Speaking before the IMF Annual Meeting in

Hongkong on Sept. 20, 1997, he said: "We in Malaysia laughed at the suggestion that our country would follow the fate of Mexico. . . . But now we know better. We know why it was suggested that Malaysia would go the way of Mexico. We know now that even as Mexico's economic crash was manipulated and made to crash, the economies of other developing countries, too, can be suddenly manipulated and forced to bow to the great fund managers who have now come to be the people to decide who should prosper and who shouldn't." He proceeded to denounce currency trading which is not tied to the trade in real goods—the trading of "currency as a commodity"—as "unnecessary, unproductive, and immoral," while insisting that "it should be stopped—it should be made illegal." (See *EIR*, Oct. 3, 1997, for the full text of his speech.)

The Friday before his speech, Sept. 19, the *Asian Wall Street Journal* published a front-page article accusing Lyndon LaRouche of being the source of Dr. Mahathir's attacks on George Soros and the speculators. The Western media launched a campaign to ridicule Dr. Mahathir, calling him "foolish," "out of control," and quoting Soros's own vicious threat against the prime minister, calling him "a menace to his own country." Carefully ignored in those slanders, was the fact that Dr. Mahathir is openly supported by his Southeast Asian allies, by the developing nations represented by the Group of 24 and the Group of 15, and, most importantly, by China. The concurrent proposal put forward by Japan and the Southeast Asian nations for an Asian Monetary Fund, which has been treated with serious consideration by U.S. Treasury Secretary Robert Rubin, is recognized generally as the programmatic complement to Dr. Mahathir's attacks on speculation and the IMF.

Dr. Mahathir did *not* launch his counterattack against Soros as a rash, spur of the moment reaction. In addition to the fact of the wide circulation of LaRouche's ideas for many years in Asia, Dr. Mahathir has within his own experience sufficient proof of the duplicitous, evil nature of the British oligarchy and the politics of the international financial institutions. He has, in fact, been burned before, but he has also *earned* his position as spokesman for many developing na-

tions by repeatedly standing up to the financial oligarchy, despite the relatively small size of his nation of only 21 million people. The history of his wars with the British, and British ideology, is instructive for all who recognize the urgency that the current crisis serve as the forum for the final defeat of that oligarchy.

Battling British ideology

Malaysia, known as the British colony of Malaya before its independence in 1957, was the world's largest producer of rubber and tin, and thus the largest export-earning nation in the British Empire, in the post-World War II era. Dr. Mahathir saw the British abandon Malaya to the Japanese, and grew up under the Japanese occupation during that war. He was a practicing physician during the years of diplomacy and violence in the struggle for independence from Britain. He became politically active as an essayist and commentator in the late 1940s, and as a Member of Parliament in 1965. He recognized that the British had used Chinese immigrants to establish comprador control over virtually all of Malaya's businesses and trade, while the majority, indigenous Malay population remained relatively impoverished. He also recognized that Singapore's Lee Kwan Yew was London's leading asset, who intended to continue British control after independence, by means of the British banking houses in Singapore. Dr. Mahathir fought against the union of Malaya and Singapore, and against what he described as Lee Kwan Yew's "mad ambition to see himself as the first Chinese prime minister of Malaysia." He also had no qualms about attacking the man who led the Malay independence negotiations, Prime Minister Tunku Abdul Rahman, for placating Lee Kwan Yew and those Chinese who were promoting the British purpose, and even publicly called for Tunku's resignation.

In a book entitled *The Malay Dilemma*, published in 1970, Dr. Mahathir blamed the racial violence between Chinese and Malays, in part, on "Chinese chauvinism," manipulated by British masters, but also on the weakness of the Malay people themselves. In an ironical polemic, he first *agreed* with the racist, Darwinian argument advanced by Lee Kwan Yew, that the Malay people had become soft and lazy, due to the lush, tropical climate, while the Chinese, through years of strife and conflict, had gone through a process of "natural selection," generating a tough and hard-working race. But Dr. Mahathir then turned this British nonsense on its head: "Subjecting the Malays to the primitive laws that enable only the fittest to survive [is] without promise, [since] we do not have 4,000 years to play around with, [to] breed a hardy and resourceful race." Man is not confined to biological evolutionary processes, he insisted. Cultural failings can be changed, through the development of the correct ideas and hard work.

The Malay Dilemma was banned, and Dr. Mahathir expelled from the ruling party, the United Malay National Organization (UMNO), but he quickly became the recog-

nized leader of the Malay people's aspirations. His expulsion was soon withdrawn, and by 1976, he was the deputy prime minister. In that year, he published another book, *The Challenge*, which went beyond the issue of winning equality for Malays within the country, to pose the issue of true national sovereignty. The government had implemented a New Economic Policy in 1970, based on affirmative action policies in education, business leadership, and government employment, aiming to achieve 30% Malay ownership of business by 1990, and similar goals. In *The Challenge*, Dr. Mahathir wrote: "The Malays have emerged from a long period of backwardness, only to be pulled in different directions by conflicting forces, some of which seek to undo whatever progress has been made and plunge the entire community back to the Dark Ages."

While identifying the British hand behind the new forms of colonialism, he again put the onus of responsibility on the Malay people. A devout Muslim, Dr. Mahathir nonetheless denounced the tendency of Muslims and Islamic nations to *retrogress*, contrary to the true teaching of Islam, by rejecting science and technology as evil, as something "Western," and as opposed to the spiritual aspect of life. He insisted that if believers allowed non-believers (materialists) to control the world's wealth, then "the spiritual group cannot but face destruction." Islam spread, he argued, precisely because it took the lead in education and knowledge. "In Islam," he wrote, "there is no dichotomy between 'religious' and 'secular.'" His polemical approach won him many enemies among fundamentalists (and their sponsors), but united the nation—the Malay, Chinese, and other peoples of Malaysia—in a drive for true independence and development.

Dr. Mahathir showed that he was equally unwilling to compromise with other shibboleths of the post-war Baby Boomer generation in the West. He considered the two greatest threats to Malaysia to be the spread of the cultural paradigm shift of the 1960s in the West, and the imposition of "democracy" over "truth" as the criterion for social policy. He described the 1960s counterculture as a "perversion of values, good being considered bad, and bad as good." He said that, under the guise of a false devotion to "basic rights," there was in the West a tolerance of the "deviant behavior of a minority," leading to drug use, homosexuality, and other perversions.

Nor has Dr. Mahathir shied away from confronting the human rights mafia—the nexus of non-governmental organizations sponsored by the British royalty, the U.S. National Endowment for Democracy, and by George Soros—who denounce any opposition to libertarianism and subversive activity as "dictatorial." "The most effective pressure inflicted by the West on the East," Dr. Mahathir said, was "democratic governments" imposed as a "condition of independence." He said that the modern world accepts the assumption that "the majority, even if it is illiterate and not well versed in politics, must always be right. The problem is that opportunists,

rogues, and foreigners also have access to the minds of the electorate. In the end it is not so much the wishes of the majority that count. It is the *perception* of things presented to them by frequently unscrupulous and ambitious politicians, who may or may not be in league with various ideologues or agencies.” Although he does not mention it, this question of “truth” versus “democracy” was the central debate that guided the Founding Fathers of the United States in creating the Constitution, which mandated a republican form of government rather than pure democracy, and the supremacy of the “general welfare” over unrestricted individual rights.

Mahathir vs. the City of London

Dr. Mahathir guided Malaysia’s economic policies on the premise that industrialization was absolutely necessary, in order to obtain real independence from colonialism. He never adopted an impotent “Third Worldist” or Marxist posture, insisting instead that progress were only possible through friendship and collaboration with both the industrialized nations and the poorer nations of the world. Ironically, although the British minions are now blustering that he is blaming speculators and the IMF for his own failures in running the economy, his only real mistake has been believing that “playing the game” by the IMF rules would lead to national development. As he admitted in his Sept. 20 speech: “All along we

had tried to comply with the wishes of the rich and mighty. We have opened up our markets, including our share and capital markets. . . . We were told that we must allow our money to be traded outside our country. We were told to permit short selling, even to let trading in borrowed shares to be legalized. We must allow for speculation. We did all that we were told to do.”

This is not the first time that Dr. Mahathir has attempted to “play the game,” only to have the British pull the rug out from under him.

In 1981, upon assuming the office of prime minister, Dr. Mahathir launched policies to industrialize and modernize Malaysia. He knew that he had to break the country’s dependence on two export commodities, rubber and tin, which was its colonial legacy. But he also argued that process industries based on cheap labor were not qualitatively different from the mines and plantations of the colonial era. Malaysia was already, in 1981, a world leader in microchip manufacturing. “Microchips,” said Dr. Mahathir, “are an undifferentiated manufactured product, which markets in almost the same way as primary commodities. For the purpose of trade, microchips may be considered a commodity. . . . We do not want to be grounded in the mediocrity of mere assembly operations.” He created an agency, Heavy Industries Corporation of Malaysia (HICOM), which pro-

Mahathir vs. the Asian Wall Street Journal

On Sept. 19, the Asian and European editions of the *Wall Street Journal* ran a page-one article, naming Lyndon LaRouche as the “strange source” behind Malaysian Prime Minister Dr. Mahathir Bin Mohamad’s denunciation of George Soros and currency speculation. That article was written by the *Asian Wall Street Journal*’s Kuala Lumpur correspondent, Raphael Pura, and its Washington, D.C. correspondent, Eddie Lachica.

Pura is no newcomer to “dirty tricks” against Malaysia—nor to Dr. Mahathir’s refusal to tolerate colonial arrogance from London or Wall Street. In September 1986, the Malaysian government suspended the publishing permit of the *Asian Wall Street Journal* for three months, and expelled its Kuala Lumpur-based correspondents, Pura and John Berthelsen. They were accused of printing slanderous attacks on Prime Minister Mahathir and his cabinet ministers *just before critical meetings of international institutions*, such as the IMF, the United Nations, and the

Asian Development Bank—precisely as the Sept. 19 article was published in Asia on the eve of Dr. Mahathir’s speech to 3,000 participants at the IMF Annual Meeting in Hongkong.

Pura challenged his expulsion in the Malaysian courts, and the High Court overturned the government ruling, precipitating a series of confrontations between Dr. Mahathir and the courts over several issues. When the press and the non-governmental organizations attacked the prime minister for interfering with the “fiercely independent judiciary,” Dr. Mahathir responded by demanding that the courts seek truth, rather than following popular opinion. Speaking publicly to the courts, he said: “If you are only interested in independence, but in order to do that, you have to stretch things a bit—you have to prove you can hammer the government, for example. . . . [Then] in doing so, you lose your independence, because you’re following public trends. . . . You are no longer independent. You’re subject to public opinion.”

Dr. Mahathir eventually won the confrontation with the judiciary, when the Lord President of the High Court, after a series of rulings which were aimed at breaking up the ruling party, the UMNO, was impeached and removed from office.—*Michael O. Billington*

moted (with Japanese and Korean support) a national auto industry, a steel complex, cement plants, engine plants, and other such heavy industrial projects.

The Malaysian government also bought a controlling interest in Britain's oldest and largest plantation company in Malaysia, the Guthrie Corporation. The British furiously accused Malaysia of "back door nationalization," although the government had meticulously followed the rules that they had been taught by the British themselves. Dr. Mahathir explained the British response: "As a result of our legitimate attempts to gain control of our resources, we have been subject to various reports calculated to frighten away foreign investors from our country." When the London Stock Exchange changed the takeover rules to prevent any further insults by the "colonials," Dr. Mahathir initiated a "Buy British Last" campaign, defending his nation's sovereignty, and winning the admiration of developing nations worldwide.

A second confrontation had more serious consequences. In 1981, Malaysia and other tin producers requested the International Tin Council to raise tin prices by 4.5%, both because their terms of trade had deteriorated, and because there were signs of speculative short-selling on the London Metals Exchange (LME). The council refused the request. In response, the Malaysian government decided once again to use the methods they had learned from their colonial masters. They set up a company, Maminco, to anonymously purchase tin futures on the LME, to prop up the price. Their secret trading was run through the now infamous Marc Rich. The effort worked. Between July and October 1981, the price of tin leaped by over 20%. However, the U.S. General Services Administration decided to dump a major portion of the U.S. strategic tin stockpile, while the economic downturn of the early 1980s set in, leaving a glut of tin on the market. Malaysia decided to buy the tin, cornering the market, forcing the short-sellers to buy from them, at the higher price, when deliveries fell due. Sneaky, perhaps, but it was "by the rules." However, the British *made* the rules—and, therefore, they could change them.

Change them, they did. In February 1982, when the 90-day futures contracts began coming due, and several LME brokers faced bankruptcy (some metals traders have said that the whole LME was on the brink of going under), the British ruled that traders could merely pay a fine if they could not deliver on a contract, and drastically reduced the penalty on late deliveries. The tin price collapsed, and Malaysia took a beating.

Dr. Mahathir is not unfamiliar with currency speculators, either. In 1984, he complained, "Sovereign countries have no control over their currencies. Speculators, including banks, can push currencies up and down as they wish. Indeed, the trade in commodities has been turned into a trade in currencies." In 1985, when the G-7 nations colluded to revalue the yen and the German mark, Malaysia's debt increased by 60%

overnight! Said Dr. Mahathir, "The seven rich nations possess the exclusive right to force their method of solution on the problems of the world economy."

Mahathir as spokesman

If Mahathir knew so well the duplicity of the international financial oligarchy, why did he yet again "play the game"? It must be remembered that the combination of the artificially manipulated "oil shock" of the early 1980s, and the currency manipulations of the Thatcherites in both London and New York, destroyed the last remnants of industrial-production-centered development even in the advanced sector nations, which plunged into a binge of junk bond and derivatives speculation, creating the current irreversible global financial collapse. Malaysia, like all the developing nations, was systematically denied access to the technology required to create a machine-tool-based industrial infrastructure, a prerequisite for achieving and sustaining a higher degree of national independence on the basis of continuing improvement in productive capability. Instead, Dr. Mahathir was offered a "third wave" vision of electronic wizardry, a pseudo-high-tech version of the IMF's new colonial policy of "post-industrialism." He was also persuaded to open up Malaysia's financial markets, including even the establishment of a highly deregulated "offshore" banking center, as the means to become a financial center for Asia.

But, Dr. Mahathir and most of his Association of Southeast Asian Nations allies maintained their dedication to real development, even while the speculative bubble grew. Dr. Mahathir, for example, has taken personal leadership in Asia for the promotion of the Eurasian "New Silk Road" railroad projects, connecting China to India, through continental Southeast Asia, and extending into the Southeast Asian archipelago nations. What is most important about Dr. Mahathir's current courageous campaign of truth-telling, is that he is acknowledging his mistakes and *demanding a global solution*. He, and those he speaks for, may not be prepared to acknowledge—at least, not publicly—the primary thrust of LaRouche's forecast: that the current global financial system centered on the IMF and the \$100 trillion derivatives bubble is far beyond the point of no return and will soon explode. However, the prime minister's uncompromising approach to "naming the names," and addressing the crisis as a problem of the world financial system as a whole, is contributing enormously to the growing momentum in support of the solution proposed by LaRouche, that of a New Bretton Woods Conference, to create a new monetary system, based on national banking, stable exchange rates, and a mutual commitment to industrialization and global infrastructure projects.

This report drew heavily from Khoo Boo Teik, Paradoxes of Mahathirism: An Intellectual Biography of Mahathir Mohamad (Kuala Lumpur: Oxford University Press, 1995), which is based primarily on Dr. Mahathir's speeches and writings.