

79-3328

the
challenges
OF
turmoil

29

“In facing the economic problems, we ... should not allow our desires to control our thoughts. On the other hand, our thinking should, at the very least, curtail our desires. Let others be dominated by feelings of vengeance, hatred, envy, etc. Whatever we do, it should be based on our thoughts and judgments consistent with the needs of an advanced civilisation ...”

the
challenges
OF
turmoil

Mahathir Mohamad



Pelanduk
Publications

Published by
Pelanduk Publications (M) Sdn Bhd
(Co. No. 113307-W)
12 Jalan SS13/3E,
Subang Jaya Industrial Estate
47500 Subang Jaya
Selangor Darul Ehsan, Malaysia

Address all correspondence to
Pelanduk Publications (M) Sdn Bhd
P.O. Box 8265, 46785 Kelana Jaya
Selangor Darul Ehsan, Malaysia

Check out our website at www.pelanduk.com
e-mail: pelpub@tm.net.my

Copyright © 1998 Mahathir Mohamad
Design © 1998 Pelanduk Publications (M) Sdn Bhd
All rights reserved. No part of this book may be reproduced in any
form or by any means without prior permission from the Publisher.

Perpustakaan Negara Malaysia Cataloguing-in-Publication Data

Mahathir bin Mohamad, Dato' Seri, 1925-

The challenges of turmoil / Mahathir Mohamad.

ISBN 967-978-652-8

1. Malaysia—Economic conditions. 2. Economic forecasting—
Malaysia. 3. Devaluation of currency—Malaysia. 4. Foreign
exchange futures—Malaysia.
338.9595

A speech by the Prime Minister of Malaysia and Umno President
Dato' Seri Dr Mahathir Mohamad at the 52nd Umno General Assembly
at the Putra World Trade Centre in Kuala Lumpur on June 19, 1998.

Printed in Malaysia by
Potensi Serentak Sdn Bhd

APB 950935
NASKAH PEMELIHARAAN
PERPUSTAKAAN NEGARA MALAYSIA

10 JUN 1999

PUBLISHER'S PREFACE

IN ADDRESSING THE 52nd Umno General Assembly on June 19, 1998, Dr Mahathir Mohamad underlines the need for unity in the midst of turmoil. By defining the parameters of the turmoil, he drives home the point that this is not the time for finger-pointing but to seize the challenge of working out an economic recovery for Malaysia.

Dr Mahathir explains the hidden agenda of currency speculators and how they had caused the devaluation of the ringgit and the collapse of the stock market. What began in July 1997 as a Thai currency crisis set Asia on a downward spiral that has shown no signs of abating. Attacks on the Malaysian economy, if not resisted, could drive the country into the clutches of those who want to see its downfall. Should that happen, the International Monetary Fund (IMF) will demand strict reforms which could worsen the situation, like what has happened to Thailand and Indonesia.

Attempts by Western imperialists to stamp their influence in this part of the world have been reinforced by the forces op-

erating globally in the form of globalisation, liberalisation and deregulation of the global economy, and exacerbated by the role of the international media in projecting a negative image of the events unfolding in the Asian region. Only by safeguarding ourselves from the vested interests of neo-colonialists can we hope to redeem the honour and sovereignty of the nation.

THE CHALLENGES OF TURMOIL

WE ARE NOW almost a year into the financial crisis. When we last had the Umno annual general assembly in 1997, the effects of the economic crisis had not yet been felt. Even now, many have not really felt the burning effects of the crisis. Oil-palm growers, for instance, did not feel any effect at all; in fact they are happy that the price of palm oil has escalated. Nevertheless, many of the rural people have begun to feel the economic impact by virtue of the fact that the prices of basic necessities have increased.

If we observe the hustle and bustle in towns, including Kuala Lumpur, it is difficult for us or foreign visitors to believe that there is an economic downturn in the country. The roads are still as congested as before, shopping malls are packed with shoppers, while hotels and restaurants are not without people, and cranes actively work through the night carrying building materials.

So where is proof of an economic problem? Where is proof of a declining economy? Where is proof that supposedly

there are foreigners who have victimised us by devaluing our currency and shares? Currency and shares are the preserve of the rich. Let them feel a little bit of pain as a result of the currency devaluation and the tumbling of share values. They are too rich, owning Mercedes-Benzes, some having their own aeroplanes, yet others have their own ships. Let them feel a little of the suffering that has befallen the poor, perhaps this will make them remorseful.

The *Mat Sallehs* (Westerners) have said it, and supported by members of the Opposition, that those currently facing the economic problems are the *cronies* of ministers and the prime minister. They robbed us of the country's money, the people's money, via many ways, including the privatisation of government projects. Today they have lost not only their money but are being chased after by banks for not paying their debts. Their companies may go bankrupt. They may go to prison. This is very fair. This is retribution for them, and the government which is corrupt, non-transparent, etc. Our currency devaluation is because of them and so it is only right that they are made to suffer. The *Mat Sallehs* should know because they are *Mat Sallehs* and they are smarter than we are.

AVOID TEMPTATIONS AND EXERCISE SELF-CONTROL DURING CRISIS

People generally love to see those at the top fail. Envy and hatred are strongly anchored in their hearts. But people are endowed by God with intelligence, they know what justice is, they are able to distinguish one from the other, even in matters which cannot be measured or weighed physically, unlike animals which do not have intelligence and are thus unable to

compare and discriminate between one and the other. Animals only have desires. Human society which allows itself to be controlled by desires alone will never build a civilisation that is advanced and successful, one that can bring happiness.

In facing the economic problems, we—especially Umno members and leaders at all levels—should not allow our desires to control our thoughts. On the other hand, our thinking should, at the very least, curtail our desires. Let others be dominated by feelings of vengeance, hatred, envy, etc. Whatever we do, it should be based on our thoughts and judgments consistent with the needs of an advanced civilisation, God willing.

Is it true that problems and economic recessions are caused by East Asian governments which are inefficient, non-transparent, corrupt and which practices crony capitalism and others? If so, since when? Did it start from July 1997? Or is it possible within several months or a year before 1997, that the poor management of these countries had been just as obvious? Maybe. But until July 1997, these countries have been praised for their efficient rule. Their countries were called Asian Dragons and Tigers with economies that were growing very rapidly, having industries of international status and capable of producing sophisticated products that can compete successfully in world markets. Their people were prosperous, had jobs, did not strike or vandalise shops to steal goods. Undoubtedly there is corruption, lack of transparency and other things in the governments of Southeast Asia. Even advanced countries of the West are not immune from this phenomenon. But for countries so badly managed, it is not possible to develop them rapidly. Many countries which are not able to develop at all are those with corrupt administration, non-transparent, in-

*“That is the reason why their
newspapers keep on
highlighting the large number
of investors who are interested
in acquiring companies in
countries affected by the
economic turmoil. They say
there is a fire-sale in Southeast
Asia.”*

efficiency, etc. Why is it that countries which are clearly corrupt and not transparent do not face currency devaluation as badly as countries in Southeast Asia? It is puzzling how the value of the currencies of some developing countries which previously could not register even average or moderate economic growth is higher than ours today. On the other hand, countries in the Asian region which are said to have bad governments, nevertheless, have experienced such phenomenal growth to the extent that they were referred to as the tiger economies.

NEGATIVE INFLUENCE OF CURRENCY ATTACKERS

Actually, crony capitalism, corruption and non-transparency, which are said to be found in Asian countries, are only excuses to attack the economy and finance of these countries. We admit to some extent there is truth in these accusations, but these attackers cannot deny that the attack on Asian currencies resulted in lots of profits for them. Within a short span of time, in fact within a few hours, millions of dollars of profits could be made through currency trading. On the other hand, the ordinary trader would require a huge investment, be involved in work which is delicate and would take a long time, and face high risks before a small profit could be made. For those managing funds or banks, currency trading is more attractive compared to giving out loans just to get interest. Currently, the world's big banks are increasingly involved in currency trading which generate highly profitable returns, even though such trading could destroy people's lives. Today they may need to justify their action for devaluing currencies. To-

morrow they may not need to. So long as huge profits can be made, these people are willing to do anything to achieve this end.

They are currently making preparations by expanding their companies and banks through mergers, buy-outs, etc. The recent merger of two large American banks resulted in their combined assets rising to US\$653 billion. Compare this to Malaysia's reserves which total about US\$20 billion. If giant banks like these sell ringgit, for instance, we would lose all our dollar savings if we try to defend the ringgit. They can do whatever they please because they know we are unable to defend our currency. Those amongst us who frequently talk about human rights should remember that those who are greedy consider greed to be their right.

The amount of funds owned by huge banks in developed countries totalled about US\$28 trillion. Hedge funds, meanwhile, own about US\$180 billion. With this US\$180 billion, they can borrow from banks twenty times the value of their funds to trade in currency, that is about US\$3.6 trillion.

NEW METHOD OF COLONIALISM

Colonial control of land by military strength can no longer be accepted by societies worldwide. But physical colonialism like this is no longer necessary. Control through currency trading has similar effects. Wealthy countries could also be colonised by weakening their economies and turning them into beggars in a short period of time. This form of colonialism could be achieved without sacrificing the life of a soldier. When a country becomes poor, it will be politically unstable and a power

struggle will ensue. As a result, there will be successive change in leadership until a candidate who is willing to submit to the world power is found. In other words, colonisation has occurred.

Although Malaysia has not been under the full control of foreign powers, its economy had begun to be dominated. By devaluing our currency and shares, our companies are in critical condition and are no longer able to reap big profits. Without tax revenue from the ailing companies, the government would not be able to meet its operating expenditure. As a result, the government is not able to pay towards its administrative costs. This can even cause unrest and pressure to topple the government. The needle they use is so fine that we may not realise we are being manipulated.

We have seen this happening elsewhere which have been severely attacked even worse compared to us. Perhaps there are those who believe that a change in government will resolve their economic problems but let there be no doubt that the attacks will not cease until they attain complete control and the country is again fully colonised. What is important for them is not a government which is democratic or transparent, etc. What is important to them is a government that is more willing to accept orders from certain powers.

Can we convince ourselves that what happened to other countries will not happen to us? When Mexico was attacked, we were not the least apprehensive. Our economic fundamentals were strong. There must be something bad that the Mexican government had done that made them weak to be attacked by currency traders.

“Democracy is not a revealed religion. Even religions can be misinterpreted and twisted by people with vested interests, let alone democracy. This being the case, not all that is preached by the Western liberal democrats will be practised by us. We will pick the good and discard the bad.”

Other countries studied reasons why Mexico faced the problem. They took the necessary steps to save themselves. Slovenia and Chile did not allow investment in their share markets without downpayments as well as guaranteeing that they will not withdraw their investment until such time as determined by them. Their actions were radical, inconsistent with the practices and regulations created by the developed countries for their own interests. We would not do the same because we strongly uphold the normal practices adopted by developed countries. Besides, we like to be praised by certain people.

Such is the strength of our orthodoxy and confidence in our fundamentals that we deliberately open up widely our share markets. Many groups travelled to the United States to make roadshows in order to attract foreign funds to invest in our major industries. Our shares increased greatly in value because they attracted foreign investors. Although the government repeatedly warned that too high a value of shares that is not reflective of assets' worth or company performance is unhealthy and dangerous, many managers could only see the profits resulting from the increase in share prices.

UNDERSTANDING THE EFFECTS OF SHARE BUSINESS

With the increase in share prices, heavy borrowing could be made while share-swapping amongst companies created giant companies. That companies did not quite make profits did not matter so long as such shares could be sold or pledged at a higher price. The original business of shares is not important. What is important is the price of the shares and the business of

the shares. The issuance of shares is no longer to raise capital but a commodity to be bought and sold. It is similar to buying and selling currencies. Meanwhile, short-selling is allowed, and even encouraged. Shares which are meant to be sold no longer need to be bought. Suffice if it is loaned, and sold at a high price and rebought at a low price and then returned to the lender. With this facility many have instead focused on share markets and lost interest in businesses involving goods and services.

All this is created by the West and we follow them because many are willing to go after anything that is Western and sophisticated. All warnings to link the value of shares with company performance were ignored. Finally, when foreign investors repeatedly sold their shares, prices of shares plummeted. They made profits from such sales because they had bought them at low prices. Through short-selling they were able to make huge profits.

When the price of our shares dropped, then our debts will exceed the value of our shares pledged. Banks will then pressure borrowers to increase their margins. But shareholders and companies are no longer able to do so. So banks had to sell shares which were pledged and this will further cause the value of the shares to fall. Banks no longer lend money because debts have become bad. The business of these companies has deteriorated, profits reduced and finally losses incurred. Definitely government taxes will reduce, making it difficult to pay the administration cost.

What we should note is that when businessmen and big entrepreneurs are faced with problems, we the small-timers will also face problems, in fact the whole nation will face problems. It is from the profits of big companies that we are able to

obtain taxes for the nation's expenditure. As such we should not be influenced by the Opposition's jubilation when big companies are faced with problems. Their problem is also our problem. It is not wise to incite hatred and envy towards those having problems. We should understand all this. We should understand because whether we are successful or not in our effort to overcome the economic crisis will depend on how much we all understand the problems we are facing. Not understanding what exactly attacked us is equivalent to being blind and not knowing exactly the source of the attack. People who do not know what exactly attacked them will create enmity with others, the innocent. Thus the attackers will have a big laugh.

ATTEMPTS TO CHANGE LEADERS

In countries where they are able to exert great pressure, their power is not confined to the economic and financial areas alone. They intend to control politics too and to determine who should lead that country.

Initially the method used was to suppress their national economies and finances. Banks, companies, wholesaling and retailing businesses, the transportation industry, etc were all pressured until they became bankrupt and could no longer function properly. Then workers will lose their jobs and their income. Since countries in Southeast Asia do not have unemployment benefits as in the West, no gainful employment means that no income is available to buy food or medicine or milk for babies.

"... This is their attitude, seemingly responsible for the protection of human rights in the world. What is worse, after having destroyed our economy, these foreign quarters would claim that their acquisition of our companies are intended at rescuing us and reviving our economy. Their action does not differ much from robbers who steal our money and then returning half of it claiming that they were out to help us."

Through the world media which they control, and with their influence on the local media, which do not want to be accused of having no freedom or are afraid of the government, they blamed governments for economic deterioration and currency devaluation. With that anti-government movements are initiated resulting in demonstrations and riots. This approach will give them political power until such time when they will determine the leadership of that country. They will definitely choose leaders who they feel can be manipulated. Otherwise, the leader will again be changed. At that time, independence is meaningless.

An attempt to change leaders in Malaysia had taken place before when leaders were alleged to be anti-Jews. Then they alleged that current leaders are obstacles to efforts at economic revival, that present leaders are ignorant of the intricacies of world financial systems. The objective is to cause political instability because their allegations will in turn create misunderstanding amongst leaders. One faction of the leaders' supporters will then strive to defend their existing leader and remove the challenger, while supporters of the challenger will pressure their leader to challenge the current leader. As a result, campaigns which smear the respective leaders will be carried out until the situation becomes more tense and the politics strained. Under such circumstances, the economic and financial problems could not be overcome, and the economic situation will worsen. Finally, the problems become worse, leaders unable to work together, and either one will fall. Irrespective of who is successful, the attack on the country will continue until a leader is chosen, one who will submit to the wishes of the foreign powers, that is prepared to have his country once again recolonised.

FOREIGN POWERS MAY CONTROL LOCAL COMPANIES

When this happens, the economy will be open to foreign funds acquiring major local companies. At that time, they will revive the economy and the value of the currency. This can be easily done as they will claim that their confidence had returned, thus allowing the value of the ringgit to appreciate. With the large amount of US dollars in their possession, they would buy the ringgit repeatedly. According to the trading system they formulated, each time any currency is bought using the US dollar, the value of that currency would appreciate. This way, not only will the economy recover, but the ringgit which they had bought cheaply would increase in value, giving them a large profit.

Thus, if they bought the ringgit at RM4.00 to the US dollar, and revive the value to RM2.50 per dollar, they would make a profit of RM1.50 for each dollar they used to buy the ringgit. In dollar terms, when a dollar is worth RM2.50, a profit of RM1.50, which is equivalent to about US\$0.60 is made, that is, a 60 per cent profit for each dollar used to buy the ringgit.

What is evident is that they can profit either by selling the ringgit and devaluing it, or by buying and appreciating its value. After acquiring our companies cheaply, due to the devaluation of the companies' shares through repeated selling, they are able to increase the share value through repeated purchases. If the share value reaches the original high price, they would again make capital gains. Through this method, they can gain profit twice, once through the increase in the value of the ringgit, and again through an increase in the share value.

That is the reason why their newspapers keep on highlighting the large number of investors who are interested in acquiring companies in countries affected by the economic turmoil. They say there is a fire-sale in Southeast Asia. According to them, Asian companies and banks are like dead fish, floating belly up. They need only pick and choose. The others can be left to die. This is their attitude, seemingly responsible for the protection of human rights in the world. What is worse, after having destroyed our economy, these foreign quarters would claim that their acquisition of our companies are intended at rescuing us and reviving our economy. Their action does not differ much from robbers who steal our money and then returning half of it claiming that they were out to help us.

Malaysia can still defend itself. We still impose conditions that foreigners can only acquire a limited 30 per cent in Malaysian companies and banks. In the insurance sector, we have to allow foreign investors up to 51 per cent ownership due to pressures imposed on us by the World Trade Organisation (WTO). They are still not satisfied as they want 100 per cent. They asked why we should own companies. It is adequate for us to work in foreign-owned companies. They will pay us better as they are larger and can better afford it. This is what they say. But after having achieved their objective, will they keep to their promise?

At the WTO, we still have a voice to defend ourselves, although we are now alone. But if we have to resort to the International Monetary Fund (IMF)'s assistance because our economy has suffered badly, the conditions imposed by the IMF will require us to open up our economy 100 per cent to foreigners. With that, not only can foreigners own 100 per cent equity in our companies and banks, but they can also carry out

*“Look at oneself before
accusing others of being the
crony of the leader. Without
the NEP and the preferential
treatment enjoyed by
Bumiputeras, could we have
reached the level we are at
today?”*

their business in our country without our involvement. Maybe lower-rung positions will be given to us, but because they will claim that we are incapable, therefore senior positions will forever be held by them. There will definitely not be any *Bumiputera* quota as the New Economic Policy (NEP) is an injustice, and supposedly unacceptable to their concept of liberal democracy.

There will obviously not be any giant *Bumiputera* companies. And we will be happy as there will not be any more *Bumiputera* billionaires and millionaires with their Mercedes-Benzes, private jets and luxury yachts. All those who are accused of being political leaders' cronies will be gotten rid of. The only ones left will be the ordinary workers with salaries commensurating with their limited abilities. The foreigners will earn high wages. They will in turn be the millionaires and billionaires with their Mercedes-Benzes, private jets and luxury yachts. Surely they will claim that they are amongst the deserving ones and not cronies of our political leadership. This situation is definitely fair. Critics, both foreign and those amongst us, will be happy and satisfied as unwanted practices have all been eradicated. What is unfortunate is that all of us will become servants to foreigners who will rule our country.

BUMIPUTERAS MAY BE ENSLAVED AGAIN

This scenario is not something I conjured to frighten Malaysians, particularly the *Bumiputeras*. This is the scenario desired by our critics, the critics of the NEP and the Malaysian leadership. If we try to imagine the situation in Malaysia without the NEP, this is the scenario that we will get.

Perhaps there are those who say they agree with the NEP, yet say that the NEP had been misused to enrich a few Umno leaders' cronies in particular. But if there are others who, apart from those we know, have become billionaires through the NEP, would they not also be branded as cronies of the leaders? In fact, most who became rich because of the NEP are not known to party leaders and the government then. Those known to the leaders of the Barisan Nasional government are politicians who support them—divisional and branch leaders, Exco members and others. The Federal Government leaders know them better. They are genuine cronies. If they are cronies who should be enriched, then it is these cronies who should be made millionaires and billionaires. Obviously when political cronies become business cronies, the political backing for the government leadership will increase. Helping non-politicians will not give government leaders political mileage.

In reality, almost all who became rich from government assistance were themselves successful businessmen. They were assisted and given the opportunity as they had proven their ability in business. The probability was that if they were given the opportunity, they would succeed.

If someone who had never been involved in business (or had never succeeded in business) is suddenly given a chance, they would only waste that opportunity and may even lose or trade off the opportunity given to them. Such experience has made the government not keen to provide opportunities to those who are inexperienced and unsuccessful although they are amongst political cronies who would certainly reciprocate through support for the leader.

Unfortunately, whoever is given the opportunity and support would be branded as cronies. Before he succeeded, there

was no accusation of cronyism. But if he succeeds and becomes rich, he will be accused of being a crony although he has not received any government assistance and is not close to any leader. Due to accusations of cronyism, the government is not able to assist anyone, especially during this economic downturn. Any assistance rendered will be termed a bail-out. Apparently a straight and transparent government should let problematic companies, especially those owned by *Bumiputeras*, to wind-up. It seems as if certain quarters want to see *Bumiputeras* remain unsuccessful forever. They see this economic downturn which they caused as an opportunity to kill all *Bumiputera*-owned companies. To them, maintaining poverty amongst the *Bumiputeras* is fair.

When such accusations are made by foreigners, locals and *Bumiputeras* will respond and believe these allegations. What is strange is that those taken in by these accusations were themselves the beneficiaries of the favourable treatment accorded by the NEP. They have benefited from education, high positions and have received shares because they are *Bumiputeras*. If they are forced to compete with the non-*Bumiputeras*, chances are they will not get scholarships or gain high positions in the government or receive shares.

Look at oneself before accusing others of being the crony of the leader. Without the NEP and the preferential treatment enjoyed by *Bumiputeras*, could we have reached the level we are at today?

There are people who receive Malaysian scholarships, but arrogantly criticise the NEP's positive discrimination system. Ask yourself why you are given a scholarship? Is it so that you will receive a big income by working overseas, or is the scholar-

“When a country becomes poor, it will be politically unstable and a power struggle will ensue. As a result, there will be successive change in leadership until a candidate who is willing to submit to the world power is found. In other words, colonisation has occurred.”

ship given so that one day you may contribute to the people of this country, especially the poor?

It is easy to talk about merit after you have benefited from a system without merit. Just because we believe that we can compete openly and successfully we should not suggest that we stop giving the opportunity to those who cannot afford to compete because they are not from wealthy families or those who could afford.

Actually, allegations that the Malaysian government's leadership practises cronyism in enriching certain *Bumiputeras* were made out of jealousy of the Government's initiative in socio-economic engineering. Which country has succeeded in its social engineering programme to achieve fairness in society? The socialist and communist systems failed and the capitalist system is even worse. It is only here in Malaysia that the restructuring of society has succeeded without causing riots and without denying anyone their rights or the seizing of property.

ISLAM AS A GUIDE TO OVERCOMING ECONOMIC PROBLEMS

Although Umno has opened its doors to non-Muslims, its commitment towards the religion and its teachings has not faded. In facing this economic turmoil, Islam becomes our guidance. Islam is *al-din*, the way of life. The lifestyle does not merely involve several compulsory rituals but also activities and actions to ensure a peaceful life.

One of the more evident lessons in Islam is the act of migration. Migration means to move. Why did *Rasulullah* (Pro-

phet Muhammad) move from Mecca to Medina? The reason is because of the pressures and opposition he faced in Mecca. The *Jahiliyah* (pre-Islamic civilisation) Meccans opposed Islam which Prophet Muhammad propagated. They attempted to assassinate the Prophet.

The Prophet could well have left it to fate. After all, did the Prophet not enjoy God's protection? What need was there for the Prophet to act to save himself? But we know that the *Quran* asks us to strive and help ourselves before *Allah* would help us. That is why the Prophet migrated, to try and save himself and not merely to surrender to God's will. This does not mean going against fate as whatever happens after we have made an effort is still determined by fate.

Migrating does not merely involve physically moving from one place to another. When the Prophet shifted from Mecca to Medina, he also underwent mental migration. Obviously, the Prophet's thinking and approach in Mecca cannot be equated in Medina. The shift in the Prophet's thinking and approach was to ensure the successful propagation of Islam in Medina where the community comprised not only those who were sympathetic towards the Prophet and were interested to embrace Islam, but also those, besides the Jews, who still doubted the teachings of Islam.

We see a display of the Prophet's wisdom in the drafting of the Medina Constitution which took into account the interests of all parties. Emphasis was given to brotherhood between migrants from Mecca, the *Muhajirin*, and the *Ansar* of Medina. Prior to this, both were at odds, but the Prophet succeeded in closing the gap and uniting them to create an *ummah*, a single Islamic community. And we know how Medina turned out to be the base for Islam's expansion and for the de-

fence of its *ummah*. In the end, Mecca fell and the whole Arabian peninsula embraced Islam.

Umno is an instrument which has adopted the struggles of the Prophet as an example to change the fate of Malay Muslims and other *Bumiputeras* in Malaysia. From a race proficient only in farming and light handicraft, Umno has brought Malays and other *Bumiputeras* to a world of knowledge and industry. From a race lacking in discipline and confidence, they have progressively transformed into a more disciplined and confident race. With that they are successful and can compete with others and are more willing to face challenges.

Rightly, the development process of the Malays, migrating from farmers to entrepreneurs and educated traders ought to continue. However, it seems there are quarters who will not allow this. Irrespective of whether it was planned or not, the economic pressures imposed on Malaysia are directly affecting the Malays and other *Bumiputeras*. We are being pushed to become a backward and weak race, that is recolonised and having to serve others.

There are those who do not want to see this success and are trying to destroy all that we have built, the progress we have achieved and the corporate figures we have nurtured. Their intention is to enslave the Malays and *Bumiputeras* once again.

There are those amongst us who do not believe that what is happening now can throw us back to the early days of colonialism. There are those who say that what is happening now is only temporary and will return to normal on its own. There are also those who say that this is merely the market's character or market forces. These market forces are apparently aimed

*"All Malaysians should work
together to defend the
sovereignty of the nation.
What we are doing is actually
defending our independence,
no less than that. Do
remember, those who created
the economic turmoil that we
are facing now are just like the
colonialists who once
colonised us. Do not think
their behaviour has changed.
As the Malay adage goes,
"Tigers will always have their
stripes."*

at forming transparent governments, free from corruption, nepotism and any form of crime by the leadership. Therefore, if we were to follow their prescriptions immediately, if we were to practise good governance, then market forces will reward us by resuscitating our economy until it becomes more progressive and dynamic than before.

This is merely fairy tale. Market forces are not meant to bring benefits, to improve governments, financial management and practices of the countries under attack. Market forces are driven ultimately by huge profits. It is all right if something favourable happens. But benefits, if they do occur, are merely side issues. The most important is huge profits for the market forces. The bigger the profits, the better it is to the market forces.

If in the course of chasing immense profits, their victims are destroyed, this is unavoidable. Thus, when these market forces, through currency trading, cause currencies to devalue severely, to the extent that whole countries and their population suffer, workers losing their jobs, famine occurring and diseases spreading widely due to lack of medicine, people migrating, resulting in riots, bloodshed, death and the collapse of governments—all these are acceptable if these market forces can gain huge profits.

Hoping for market forces to create a stable currency exchange, stable economy and stable politics is the same as not doing anything and leaving everything to fate. Market forces profit from chaos and economic and financial instability. Why should they stabilise the conditions at the expense of their profits? Therefore, it is illogical that to resuscitate our economy and currency, we should submit to the demands of mar-

ket forces. The Prophet did not submit to the demands of the Jahiliah in Mecca to save Islam.

The fact is, we cannot rely on market forces' confidence to lift us out of the current economic turmoil. Yes, we want to clean up our practices, but not because we are pressured by market forces. We want to do so because we believe it is good to rid ourselves of any ill practices.

SPENDING WITH PRUDENCE

Today, these market forces have destroyed half our wealth, therefore we must be willing to live with half of our earnings. Can we do that? Of course, we can. Twenty years ago, our income was half of what we were getting before the 1997 turmoil. Back then, we did not spend like what we are doing now. If we are disciplined and prudent in managing our spending, then we can.

There are those amongst us who call for a stop in spending and to increase our savings in fixed deposits or bank savings accounts. This will increase the bank's ability to provide loans. Companies will not be deprived of credit facilities to sustain their businesses. But if we were to refrain from spending below our affordability, business will suffer, traders will not gain profits and the government will not be able to collect taxes to finance its spending. Therefore, spend prudently and buy imported goods, according to one's needs, but buy as much local goods as possible. We do not have to boycott goods and foodstuffs which have risen in price unless the hike is caused by traders' greed. Don't anyone try to take advantage of this economic problem to rake in excessive profits. We can

also make less trips overseas, or send our children overseas to seek further education; in fact, our children should be brought home to further their studies locally.

Each of us has our own personal wealth which is not bringing us any benefit. The wealth ought to be mobilised and converted into cash so that it can be invested and deposited in banks and churned out as loans to traders in need of credit. This personal wealth can be valued at billions of ringgit. This wealth will not just disappear. If the money we receive is invested in unit trusts, not only will they remain as our property, but will increase in value, God willing.

The Umno-led government has formulated several strategies and approaches which I cannot elaborate at this juncture as this is not the right time, and because there are certain quarters who want to see us fail. We are confident that we can deflect the attacks against us and implement plans to rebuild the economy. God willing, with the support of the people, our efforts to revive the economy will succeed.

DO NOT BE DECEIVED BY THE WEST

All Malaysians should work together to defend the sovereignty of the nation. What we are doing is actually defending our independence, no less than that. Do remember, those who created the economic turmoil that we are facing now are just like the colonialists who once colonised us. Do not think their behaviour has changed. As the Malay adage goes, 'Tigers will always have their stripes.'

When they were confronted by the communists, they showed a smiling face. They were more concerned with basic

*“From a race proficient only
in farming and light
handicraft, Umno has
brought Malays and other
Bumiputeras to a world of
knowledge and industry.*

*From a race lacking in
discipline and confidence, they
have progressively
transformed into a more
disciplined and confident
race.”*

human rights, with suppression amongst human beings, with violent communism and injustice in the world. They claimed they would take action to prevent injustice and any form of suppression anywhere. They would preserve the country's sovereignty with the might of their military. They try to portray their actions similar to Hollywood's *Rambo*, one who is bold, strong and successful and who never dies.

But do remember Bosnia-Herzegovina. When the Serbs attacked the Muslims and Croats in Bosnia, the West did not do anything. Muslims were slaughtered and massacred in front of Western soldiers who were supposedly sent to save the Bosnians, yet did not lift a finger to help save the Bosnian Muslims.

Their planes were busily flying in the air to display their strength and might. But they did not shoot the Serbs or attack with their intelligence bombs. Slaughter, rape and killings continued unabated. Some 300,000 Bosnian Muslims were killed senselessly before the West dared take any action against the Serbs and Serbia.

Having witnessed events in Bosnia-Herzegovina, Burundi, Rwanda and now the Serbian province of Kosovo, can we believe that the West will fight for human rights, including the right to work and be paid?

It is most unfortunate that there are non-governmental organisations (NGOs) in Malaysia that are so influenced by the West that they constantly condemn Eastern countries, including Malaysia, for allegedly abusing human rights. But when actions of the new Western capitalists caused twenty million workers to lose their income and jobs, we do not hear

any NGOs condemning them for abusing workers and their rights. Surely the West will not bother about their fate.

With some twenty million workers unemployed, while those working are getting pay cuts, food and medicine for children are decreasing. The main thing for them is the enforcement of a trading system that is free and that payments of loans are made to their banks, banks which are bigger and richer than all the countries which they had attacked and destroyed. They have made the act of bullying weak countries something noble.

ONLY UMNO CAN DEFEND MALAYSIA

To safeguard our independence and sovereignty, the only thing we have hope for is ourselves, it is we who are Malaysians, we the Barisan Nasional party, the members of Umno who lead the government of Malaysia, who are ultimately responsible for the good or bad of the country. After 40 years of independence, Malaysia under the Alliance and the Barisan Nasional government led by Umno has been successful in preventing any racial conflict, and has succeeded in rapidly developing the country, providing a better standard of living for the people and most importantly, in redeeming the dignity of our nation, the honour of the Malays and other *Bumiputeras* so that they are no longer looked down upon, but are instead treated as models to other races, as an example of how a race which has been suppressed for hundreds of years is able to regain its dignity and place itself on par with others who are more developed, who once used to colonise and humiliate us.

All this, the regeneration of ourselves and the return of the dignity of our nation is based on a political party which was established more than 50 years ago. Umno was created not with a big ambition for, at that time, the thinking of the Malays was shackled by the colonialists, such that it was never dreamt that the Malay states which were then factionalised, which were driven to parochialism, would ever be able to unite and rule themselves. For a hundred years, we have surrendered the ruling of the Malay states to foreigners and to that extent we no longer believed we were able to take over the mettle of power and to govern ourselves. Our self-confidence was so low that there were Malay leaders advising activists, who opposed the Malayan Union, that Malays should never indulge in politics, that politics are the prerogative of the aristocrats and the British. Only they had the right and were eligible. The aristocrats were only required to follow the footsteps of the British who claimed to know everything.

But when the Malay associations agreed to set up Umno, the process of reviving their self-confidence soon began. After successfully abolishing the Malayan Union, Umno continued its demand for independence.

Success in any struggle does not mean that success will be permanent. Challenges and danger lurk all the time. If we allow ourselves to be weakened by success and prosperity, believe me, the success that we have attained will be alienated from us. Therefore, it is imperative that Umno be prepared at all times and be continuously united, and should be wary of the possibility of attempts to bring it down.

Beware of the West's subtle propaganda. We will not realise that we have been used by them. They create concepts all the time which supposedly reflect an advanced civilisation, a

*But the liberal democrats say
this is perfectly fine as long as
their form of democracy is
practised. In other words,
mankind becomes the tool of
democracy, not democracy as
a tool for mankind, for the
good of the human race.*

civilisation that is more consistent with the evolution of time. There will be amongst us (in fact, there already exist) those who do not want to be regarded as being left behind. These people always accept the current thinking of the West. When we accept them in a subtle way, then they will praise and accept us as a member of their club. The injection of this fine needle will be continued, until they are able to separate those who are receptive to their concepts and thinking from those who are said to be backwards for rejecting it.

THE SUCCESS OF UMNO'S STYLE OF DEMOCRACY

Democracy was invented as a governing system by the people to replace feudalism. The objective was to establish a fair government for the people. The West now argues that a government that can bring happiness to the people is not important, and that a more vital factor is to uphold democracy even though it causes suffering to the people. We can see how in certain countries elections after elections are held, but a credible government cannot be formed. The people's problem cannot be solved, resulting in continued suffering and a country that cannot be developed. But the liberal democrats say this is perfectly fine as long as their form of democracy is practised. In other words, mankind becomes the tool of democracy, not democracy as a tool for mankind, for the good of the human race.

We accept democracy as a good system with the greater probability of producing a fair and effective leadership, though this is not definite. In Malaysia, democracy has been successfully practised. We have been able to form governments and

choose them through fair elections. The country is able to develop and the people live in peace and prosperity.

But never think that the success of democracy in Malaysia is due to democracy being a perfect form of government without any weaknesses. Democracy is successful in Malaysia because we Malaysians, both politicians and political parties, know how to use this democratic system.

If democracy merely refers to majority rule, the Malays which make up the majority of Malaysians can use racial sentiments to establish a 100 per cent Malay Government. With the rights of a majority government, chosen through a democratic process, the Malays can then claim all the country's riches for themselves, deny and suppress the other races, alter electoral boundaries so that Malay political power would be bigger, stronger and permanent. All these can be done without discarding democracy. But will this form of democracy bring peace and success to Malaysia?

Democracy in Malaysia has been beneficial because we have not taken advantage of the system to our interest. Instead, we choose to work alongside other races, we do not discard minority rights and we emphasise justice for all. With this, all races, as well as the Opposition, will benefit and gain from the Malaysian way of practising democracy. With this, politics becomes stable and democracy, including elections, can continuously be practised. With this, the same party-led Government has been voted to rule this country repeatedly.

There are accusations and allegations that democracy is non-existent in Malaysia because there is no change in government after every election. They say change is part of democracy. If there is no change, then there is no democracy.

And many amongst us feel slightly embarrassed as there is no change. But remember, the right to maintain governments is not contradictory to democracy; in fact, it becomes part of democracy if the preservation is in accordance with the people's wishes.

Similarly with our country and party. Umno is a democratic party, which accepts the principles and methods of democracy, for we believe that democracy is a system and method that suits us best. Democracy provides us with the rights and opportunities as ordinary members to change, topple and elect leaders according to our desires. With this we believe that good leaders will steer the party all the time.

Although we believe humans will not do anything that is self-destructive, man will almost always indulge in unhealthy activities, which would only bring misfortune in the end. We know what is good, but we continue to do something bad, maybe out of lust or for short-term gains.

It is human nature to act aggressively when one is angry compared to when one is in a state of satisfaction or joy after achieving something. Therefore, because of anger towards a good thing, the bad is also supported.

This is also true of short-term gains. Because of the obsession with short-term gains, people are willing to do anything which ultimately will not benefit them. Confronted with bribes, people today will forget about something bad that will befall them later, even in the hereafter.

This is why, even though we believe that democracy is good for ourselves, its practices should be carried out cautiously. If there are attempts to use democracy to avert such bad intentions, then we need to tighten the procedures of de-

“Globalisation, the borderless world, deregulation and liberalisation are for their own interest. Let us not accept all these without scrutiny, without suspicion.”

mocracy to avert such bad intentions. Let us remember that the West which claim that they are democratic did not allow the communist party to exist in their countries. Democracy also did not prevent them from colonising others up to now.

Democracy is not a revealed religion. Even religions can be misinterpreted and twisted by people with vested interests, let alone democracy. This being the case, not all that is preached by the Western liberal democrats will be practised by us. We will pick the good and discard the bad.

BEWARE OF GLOBALISATION

We are living in a fast-changing world. The era of information technology has dawned upon us, bringing with it new opportunities that can better our lives. But the opportunities to damage our society have also emerged.

As usual, the West, which from the beginning foresaw these opportunities, made use of the opportunities that come with this new technology to their own advantage. Realising that this technology would enable them to penetrate borders that isolate and safeguard peoples of the world, they created new philosophies and values which legitimised and supported their invasion.

Globalisation, a world without borders, deregulation and liberalisation are new terminologies introduced by the West. Not even one was created by us, by the East, by Asia. Surely the West did not come up with these new thoughts to lose out. Globalisation, the borderless world, deregulation and liberalisation are for their own interest. Let us not accept all these without scrutiny, without suspicion. Let us not accept all these

because we want to be regarded as sophisticated. Let us not be proud of being praised by them when we show how up-to-date our thinking is.

Those who survive and succeed are those who are always cautious when a new thing is introduced, people who always look for ulterior motives. Globalisation, liberalisation and deregulation might bring many benefits to us, but this new thinking could destroy us too. The attack on our currency is part of globalisation, liberalisation and deregulation and we only end up losing.

TAKE GOOD CARE OF UMNO

Umno has survived, and even succeeded for over 50 years. Not many political parties that fought for independence have managed to survive this long. Most have disappeared soon after independence. But for more than half a century, Umno has not only survived but is a success story in politics, successful in leading the Malaysian Government.

Whether we will continue to survive will depend on our culture, our character, and whether we are cautious and careful, especially when something new is introduced. Do not, for whatever reason, allow short-term gains to blur our vision of long-term losses.

Nothing is permanent in this world. As with everything else in the world, Umno too is not permanent. But its lifespan need not be shortened because we are careless, inefficient and obsessed with quick, short-term gains. The Umno struggle is not over yet. There is more that needs to be done. The Malays and other *Bumiputeras* are still not strong enough to be left

alone to fend for themselves without Umno's leadership and protection. They are still not strong enough to compete in this ever-changing world. Our independence is still not assured. Even nations that are more powerful than us have been defeated. Are we able to save ourselves without unity and brotherhood amongst us, without working together with other races which are in concert with us in saving our blessed nation? The answer is NO. The answer is that we still could not practise Western-style liberal democracy if we want to survive.

So we have to save and protect Umno. Leaders are not permanent, leaders can be replaced and leaders can be found. But Umno can endure longer than its leaders. So we need to be cautious and careful in running this organisation. It has served us well and we have to serve it well too. God will bless our sincere and noble struggle.

"Those who survive and succeed are those who are always cautious when a new thing is introduced, people who always look for ulterior motives. Globalisation, liberalisation and deregulation might bring many benefits to us, but this new thinking could destroy us too. The attack on our currency is part of globalisation, liberalisation and deregulation and we only end up losing."

INDEX

- Al-din*, 27
Alliance, 36
- Barisan Nasional, 24, 36
BN, *see* Barisan Nasional
Borderless world, 42-43
Bosnia-Herzegovina, 35
Bumiputera
 Bumiputera-owned companies,
 23, 25
 Bumiputera quota, 23
 Bumiputeras, 22-23, 25, 27,
 29, 34, 36, 44
- Burundi, 35
- Chile, 15
Colonialism, 12, 29
Colonisation, 13, 26
Communism, 35
Corruption, 9, 11, 31
Crony capitalism, 9, 11
Cronyism, 25, 27
Currency
 devaluation, 5, 8, 11, 19
 trading, 11-12, 31
- Democracy, 14, 38-41, 43
 liberal, 23, 45
Deregulation, 6, 42-43, 46
- Economic turmoil, 7, 10, 21, 27,
 30, 32-33
- Feudalism, 39
- Globalisation, 6, 42-44, 46
- Human rights, 12, 18, 21, 35
- IMF, *see* International Monetary
 Fund
- Indonesia, 5
International Monetary Fund,
 5, 21
Islam, 27-29, 32
- Jahiliyah*, 28, 32
- Kosovo, 35
- Liberalisation, 6, 42-43, 46

- Malayan Union, 37
 Malays, 29, 34, 36-37, 40, 44
 Mecca, 28-29, 32
 Medina, 28
 Constitution, 28
 Merit, 27
 Mexico, 13, 15
 Muslims, 29, 35
- NEP, *see* New Economic Policy
 Nepotism, 31
 New Economic Policy, 22-25
 NGOs, *see* Non-Governmental
 Organisations
 Non-Governmental
 Organisations, 35-36
- Opposition, 8, 17, 40
- Parochialism, 37
 Privatisation of government
 projects, 8
 Prophet Muhammad, 27-29, 32
- Quran*, 28
- Rasulullah*, *see* Prophet
 Muhammad
 Religion, 14, 27, 43
 Rwanda, 35
- Slovenia, 15
 Southeast Asia, 9-11, 17, 21
- Thailand, 5
 Transparent, 13, 25, 31
 lack of transparency, 9
 non-transparency, 11
 non-transparent, 8-9
- Ummah*, 28-29
 Umno, *see* United Malays
 National Organisation
 United Malays National
 Organisation, 7, 9, 24, 27, 29,
 33-34, 36-37, 39, 41, 45
 United States, 15
 US, *see* United States
- World Trade Organisation, 21
 WTO, *see* World Trade
 Organisation

*Other books by Dr Mahathir Mohamad
published by Pelanduk Publications*

THE CHALLENGE

ISBN 967-978-626-9

Dr Mahathir Mohamad has been Malaysia's Prime Minister since 1981 and is renowned for his original ideas and incisive plain-speaking. Both traits are grippingly evident in this book, where he takes an honest look at modes of thinking and living that are vying for supremacy in the modern world and within the Malay community. With characteristic aplomb, he explodes fallacies and exposes distortions concerning religiosity, education, role models, democracy, communism, freedom, discipline and the concerns of the world and the next. Only by striking a balance between an interest in things spiritual and secular can the Malays hope to overcome the conflicting challenges of the modern world. He expounds the need for a new system of values, ethics and attitudes which the Malays must adopt in the country's quest to become a developed nation. This book is of special interest today as Dr Mahathir is at the helm of a nation striving for racial balance and religious sanity.

EXCERPTS FROM THE SPEECHES OF MAHATHIR MOHAMAD
ON THE MULTIMEDIA SUPER CORRIDOR

ISBN 967-978-632-3

Malaysia is wiring up to be the Silicon Valley of Asia with the creation of the Multimedia Super Corridor (MSC), a new development model designed to catapult Malaysia to the Information Age. Served by a huge fibre-optic network, the MSC is a 750-square-kilometre enclave of high-technology creativity, purpose-built for companies wishing to create, distribute and utilise multimedia products and services. By revolutionising the way the world does business, the MSC hopes to unlock multimedia's full potential by integrating groundbreaking cyberlaws and outstanding information infrastructure in an attractive physical environment. To become a developed nation, Malaysia must move away from being mere consumer of multimedia products and services to being supplier and creator of information technology by developing technological skills, upgrading computer literacy and promoting the transfer of technology.

*Another book on Dr Mahathir Mohamad
published by Pelanduk Publications*

CEO MALAYSIA:
STRATEGY IN NATION-BUILDING
ISBN 967-978-646-3

Dr Mahathir Mohamad has been described as the architect and strategist of Malaysia's phenomenal growth over the last decade. The financial crisis which began in mid-1997 has caused a pause to this momentum and raised questions about the country's future development. These events, however, have not diminished the fundamental validity of the Malaysian model for multiracial living, nor have they seriously compromised the country's ability to recover from the current economic downturn. This book explores the nature of this resilience and suggests why plural society has a better chance of succeeding in Malaysia than in many other parts of the world. The essays here deal with issues of change and modernisation in post-1970 Malaysia, focusing in particular on policies and programmes associated with Dr Mahathir who has been Prime Minister since 1981. The book also contains commentaries on Dr Mahathir's views on race, religion, language, politics, economics and the political future of the Malays. The focus throughout is on issues of strategy, on the broad fundamentals which govern the formulation of public policy, as opposed to its implementation.

