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Salute to 'distinguished' Dr Mahathir for his policies

Speech of American Finance House Lariba founder Dr Yahia Abdul-Rahman, delivered when presenting the Lifetime Achievement Award to Prime Minister Datuk Seri Dr Mahathir Mohamad at the Islamic Cultural Centre in Northbrook, Chicago, the United States on Sept 1.

YOUR Excellency Dr Mahathir, the respected and distinguished Datuk Seri Dr Siti Hasmah Mohd Ali, our distinguished guests, our dear brothers and sisters in Islam.

We are gathered here tonight to honour a distinguished man from a distinguished country and on behalf of all of us, I would like to thank you for joining us tonight.

The Malaysian Monetary Crisis in 1997:

In July 1997 the Malaysian currency, the ringgit, came under speculative attack along with the currencies of many Asian Tigers like Thailand and South Korea. The ringgit was 2.5 to the dollar before the attack. It reached 4.8 to the dollar in April 1998.

The KLSE was around 1,000 before the attack and fell to 280 in Sept 1998. The GDP was growing at around 8.5 per cent per year for 10 years till 1996. It shrank to -7.2 per cent in 1998.

The Ministry of Finance and the Central Bank, Bank Negara, did not understand what was happening.

The surrounding countries poured most of their foreign currency reserves in the currency market to defend their currencies but they did not succeed. They went to the International Monetary Fund for help with additional loans. The IMF conditions were very painful and not much different from the standard medicine given by the IMF.

Malaysia under the leadership of Dr Mahathir had two courses of action to choose from:

One is the IMF recommendation subscribed to by the Malaysian Ministry of Finance and the Central Bank - raise interest rates:

Borrowers were forced to pay their debts faster despite the economic downturn. The Malaysian Government was required to reduce its support and subsidy of the economy.

Malaysian banks were asked to make borrowings more difficult.

The Government and the Central Bank were asked not to interfere with the international free markets, especially the currency market.

This was tried briefly but proved to be a disaster for the Malaysian economy and surrounding countries. Businesses failed, construction activity, automobile sales and export/import financing - the backbone of the economy - all declined sharply. Real estate, businesses and banking networks could be purchased for almost 20 to 30 cents on the dollar.

Everyone thought Malaysia was ready to borrow from the IMF and capitulate to its demands.

I was in Malaysia in 1998 visiting my friend Nor Mohamed Yakcop (who is a brilliant Malaysian monetarist).

I told him: "Can you believe this? They want you to sell at 20 cents to the dollar!"

The PM then came into the picture.

And here, I wish that a good public relations firm would develop the story of what the PM and his team did so that the average layman in Malaysia and the developing world could understand the significance.

He wanted, like any good doctor trying to help his/her patient recover,

to understand what was going on, what was the ailment and how the system worked.

He assembled a fresh team of able advisors so that together, they could stop the currency and stock market speculation.

They followed a bold course of action that was pioneering and was opposite to the advice given by the experts and the IMF - they made borrowing easier. They gave more breathing space to honest borrowers who could not pay their debts because of the crisis.

They stimulated the construction, automobile and export industries through easier terms for financing. People started buying in and the economy started buzzing.

They fixed the ringgit at 3.8 to the dollar, which was equivalent to 1:10 Thai and Filipino currencies.

This helped make Malaysian exports less expensive and imports more expensive.

They stopped currency and stock markets speculation by devising brilliant policies only after he, the PM, understood how the system worked. The IMF and the G-7 countries were up in arms. They criticised the policy and predicted its failure.

The PM and his team put their trust in God and proceeded along a new monetary and economic policy that was never tried before.

Today, the Malaysian economy is back to normal without resorting to borrowing from the IMF and without losing its reserves.

The ringgit is still pegged at 3.8 to the dollar and many think that it is undervalued.

Currency and stock market speculators quit speculating against the ringgit.

The KLSE index is now included back on the MSCI international indexes.

Foreign Direct Investment is back investing in Malaysia.

The KLSE reached around 800 points from its low of 262.

The economy is back in action.

The new chief of the IMF not only congratulated Malaysia for the success of its bold policy but is also now implementing a similar approach in other countries.

All distinguished universities in the world are teaching the Malaysian policy as a new case study for its students in monetary theory.

The word for Doctor in the tradition of Islam is Hakim or Hacham in Hebrew - meaning the Wise person.

His Excellency PM Dr Mahathir Mohamad is the wise Hakim captain who was not afraid of saying "I do not know what is going on and how the system works", was honest to say "I want to learn", was wise to listen and to devise solutions and was bold in pioneering a new course of action and policy, was courageous to stand by himself against so-called experts and was humble enough to get down in the trenches and apply the policies with a hands-on approach along with his team of experts.

Your Excellency, ladies and gentlemen - the holy Quran revealed by Allah states in Sura Al-Waqi'aa (Chap 56 verse 10, 11 and 12):

"Wasabiqoon, Assabiqoon, Olaika Al-miuquarraboon, Fi Jannati Al Naeem..."

"And the Pioneers, the pioneers, they are the ones that will be closest to God on the Day of Judgment enjoying the pleasure of paradise."

On behalf of the Shareholders, the Board of Directors, the staff and many professional Muslims in America, I am pleased and honoured to present you with the LARIBA Life Time Achievement Award. Please join me in congratulating the PM.

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