

INTERVIEW WITH PRIME MINISTER OF MALAYSIA.

**DATO' SERI DR. MAHATHIR MOHAMAD &
THE OBSERVER ON 16TH MARCH 1999 @ 4:30 P.M.**

The Observer :

For a large portion of the country's history since its independence, during this time you attracted and deserve a great deal of international acclaim for the pace of industrialisation which Malaysia has gone through, perhaps less for the consolidation of a very diverse nation comprising of different races. Recently, pressure has been on Malaysia on account of the economic crises and the trial of the former Deputy Prime Minister. What are the greatest challenges in your leadership in ensuring a peaceful Malaysia?

P.M. Dr. Mahathir :

We think the trial and economic problem that we face will eventually be resolved. We have done our very best to ensure a fair trial...there has never been a case where the accused has nine lawyers defending him. At the same time the defendant insisted that the trial be conducted in English for the benefit of the foreign Press. Obviously, he wanted publicity and he got the publicity, more publicity than anyone had ever had or then he deserved. So, we have accommodated practically everything that he asked for, practically everything the foreign interest wants and yet the impression that it is not a fair trial goes on. As far as we are concerned, he is an ordinary citizen subject to the same law. People talk about the rule of law and being equal before the law. But when they know someone or they like someone who we see is guilty of something, they would like us to see things differently. I have people writing to me asking me to just release this man. It is beyond my power to do this. On the one hand they say we must have the rule of law, on the other hand they are actually requesting me to break the law. How can I release a person who is arrested by the police and has been properly charged in court. So when people talk about the rule of law, they mean that the rule of law should apply to others, not to them...not to their friends. As far as I am concerned, he is a friend...he was a friend. But if he does something wrong, he has to be brought to court...and he not the first person. We had one Chief Minister who was recently charged and dismissed and we had one Minister who was charged for murder and sentenced to death. The Government did not do anything and I did not see any uproar because these Ministers consider that they are equal before the law, therefore if they are charged they will have to face the consequences of breaking the law. They never persisted that on the basis of being a Minister to the Government, therefore I should not be charged. Nor did they invoke plans or ask for foreign help or the foreign media to come and see that the Government is not fair in charging them. So, in this country whether you are a Minister or you are a Prime Minister or whatever, you break the law, the law will apply to you as it is to other people. I don't see how else we can be more fair than that. People will see from the court case and once the court makes a decision, people will know whether he is guilty or not guilty.

The Observer :

A lot of people have exaggerated the extent that the Anwar trial has alienated a part of the population. Do you consider your recent success in Sabah has gone a long way in proving that this is not the case?

P.M. Dr. Mahathir :

Yes, there are so called intellectuals who normally argue with us because they feel that they know better how to run this country. They have always been critical of the government. And here's an issue they can beef up and they are vocal and they can contact the press and the press listens to them and give them a lot of prominence. They say the government is unpopular therefore it must be true because these are intelligent people. But intelligent people too have an agenda of their own. Basically intellectuals in any country feel that they should be the ones running the country. We welcome them, excepting that if they would like to run the country, they would have to stand for election. But they would like to run the country without standing for election. They want to have the power without the need to go down to the people and convince the people that they are the right people. And these people will always be unhappy with the government, and they will always criticise the government. But on ground as in Sabah, we meet people on the ground and they are happy with their lot. We have brought about economic stability, political stability and they appreciate. They support the Government. They are the majority, they don't talk so much but they appreciate it.

The Observer :

First of all, the financial crisis has been dealt with very forcefully and rapidly and in what has been described as an unorthodox manner however this is a very Malaysian solution to the crises. What I would like to ask you is what are the peculiarities of the Malaysian economy that prompted these measures ?

P.M. Dr. Mahathir :

Well, in the first place, this is normally our reaction to any crises, we set up a body to deal with the crises, study the crises, find a solution. When we had the race riots in 1969, we set up the National Action Council and we tackled the problem and I think we were successful because we were told before that this country would never be peaceful, that the Malays would always oppress the Chinese, that there would be racial quarrels and all that. But because of the National Action Council's policies and programs, that did not happen. Now when we came up against this threat on our currency, we audited our strengths and our weaknesses. For example, Malaysia is not like our neighbors because we don't borrow that much so when the currency is devalued, we don't find any difficulty in paying foreign debts because we don't have much by way of foreign debt so that is our strength. Then within the country there is also a lot of capacity both financially and in terms of entrepreneur skills and business management. We have always managed our finances very conservatively which is why we don't borrow that much. We stopped borrowing from Japan which offered us a 2.9% interest rate, very low. But because the yen was rising so we were not borrowing from Japan because the yen strengthened so we don't borrow from Japan. We hardly borrow from the World Bank. In fact, we have no need to borrow as there is money within the system. And the central bank monitors all the business dealings by the bank, we are very transparent right from the word go. But people refuse to acknowledge, people lump us together with every country. If other Asian countries are not stable, therefore Malaysia must be the same. If they are corrupt then we must be corrupt. If they practice nepotism, then we must be doing the same. If crony capitalism, then we must be doing the same. This is an assumption, but what is the truth ? We have discovered that the person who accuses us of crony capitalism is the very positional of crony capitalism namely my former Deputy. All his friends have large holdings and are directors of a 100 companies and get all the contracts. Of course, I never bothered about these things because I never go into such matters but now I am learning.

The Observer :

I think our leaders when they think of Malaysia, always associate it with Dr. Mahathir because you are an exception to the rule. You actually speak your mind and you have been speaking your mind for a long while now about the importance to regulate the flows of capital and to form some kind of international financial architecture. I think your ideas are beginning to have more resonance now in Europe but also in the UK and with the new government. Most people are hoping that Tony Blair will divert from supporting the Americans but do you think the British government has a part to play in promoting the interest of Malaysia and other developing countries within the Commonwealth?

P.M. Dr. Mahathir :

I have always said that we should be given a voice in an international system and I have written to the leaders of the G7 group including Tony Blair. I have just received a letter from him saying that he feels that by going to the G15 there will be participation by the group of 15 developing countries and he thinks that since we are part of the G15 our voice will be heard.

The Observer :

Do you think he will lend his voice at the G7 meeting for example?

P.M. Dr. Mahathir :

I think most of the leaders of France, Germany, Japan and perhaps Britain have come round to the view of what we have been saying all this while about the damage caused by currency trading has a basis and they are much more keen to support...i.e. to create a consensus like monitoring the financial situation... My view is that we have to curb currency trading otherwise we will have a lot of the worlds' wealth just struck out.

The Observer :

We have seen Malaysia as a model of development until recently and also Malaysia like to help a much as it can other countries to develop. Do you think that countries such as Britain and other industrialized countries do enough to help other countries to develop especially newly industrialized countries?

P.M. Dr. Mahathir :

Not enough, firstly in terms of trying to understand the problem. Our problem is being in a different environment. So there must be a greater understanding of cultures, of people, the way these people react to the problem. For example, democracy. Some people feel that democracy will resolve all the injustices in society. It will not. It may create injustice. For example, when people are given the power to unseat or overthrow governments, they may be tempted to overthrow governments every now and then, then there will be no government. If one government comes up, they demonstrate on the streets, have a strike, bring down the government. Another government comes up, the other side now takes to the streets and brings down that government as a result there is an uprising, that is a direct result of democracy. So don't think that any system is so perfect just because it works in your country.

The Observer :

Do you believe that on a regional level, further regional integration would help as it were to promote the true voice of countries in this region and perhaps developing countries globally ?

P.M. Dr. Mahathir :

I think that there is a need to come together. We accept that Europe should have the European Union, we are not against it. North America has NAFTA. South East Asia has ASEAN, to a certain extent we are united but we are a group of developing countries. So we should have the East Asian Economic Group or Economic Caucus. But we were told that we are not allowed to have this unless there is participation of Australia and New Zealand and America. Why? Why is that so? I can't understand. I mean the Japanese were told you must not become a member of this grouping. They was told directly by Mr. Baker, who incidentally does not like my Malay attire. He told the Japanese this man wears a silly attire. He told the Koreans he did nothing for the Koreans during the Korean war, who were then under the British rule. That kind of animosity I just can't understand.

The Observer :

Do you think that a lot of the problems stem from the fact that the world just hasn't adjusted to the state of the unipolar world and perhaps to the interest of our readers in UK perhaps the Euro may provide a slight counter-balance?

P.M. Dr. Mahathir :

Well, in the past we had the option to deflect. If the capitalist show their ugly face, we will become communists. If the communists are ugly, we will go back to the capitalist. So each one of them had to show a friendlier face in order to attract us, the so-called third world. Now when there is this uni-polar world, I thought that the third world would be provided some alternative, would be able to speak out but unfortunately in a unipolar world, we lose that leverage. Now the capitalist has come out from behind their free market face to display the total capitalist face. We have the money, don't stop us from going wherever we want to go. If we can purchase your country, we should be allowed to buy your country. That's what globalization is all about. This is what we are being told. That means that we are told you have no right to determine the value of your currency. We will determine it for you. You have no right to run your country without being disciplined by us. That means how can these people from Chicago, Wall Street come and tell us how to run our country?

The Observer :

So far Malaysia has been successful in avoiding being touched by any decisions by the IMF or otherwise. How vulnerable do you consider Malaysia to be at the moment ?

P.M. Dr. Mahathir :

Well, I don't know what else we could have done. For example, in order to recover the banking system, we set up the asset management company and re-capitalization company. Of course we need money and we wanted to have a roadshow to borrow money. Immediately Moody's of course without any conscience for anyone decided that Malaysia's rating should be lowered. And we would have to pay 15% interest when we want to borrow money from the international market. That is one way of blocking us. And there are other things they can do I am quite sure...they are innovative people. They can come out with some idea on how to block us, apply some kind sanctions...that kind of thing can happen. So we are quite vulnerable.

The Observer :

I think that Malaysia was and has been essentially perceived as a trading nation, open to ideas, changes and foreign investment. With capital controls, people have turned things around to use these against Malaysia and to present a false image of Malaysia. Would you care to re-confirm as it were Malaysia's commitment to trade?

P.M. Dr. Mahathir :

World trade has always been governed by some rules, some regulations...When we say that we oppose currency controls basically it is a very limited and selective control, merely to prevent the currency traders from getting a hold of our money and playing around with it. That's all. That is a very limited scope. Other than that money can come in and go out of this country without any restrictions. If you are in business and if you suddenly decide to pull out money from this country, money that does not belong to you, then we would have to stop that. But otherwise, there are really no regulations.

The Observer :

A lot of foreign businessmen that we have met here have actually been saying that they are really surprised by this attitude because increased investment in certain sectors seem to have been open to them which previously perhaps were not open to them. UK for example, has increased proposed investment by 65% last year. Do you think that the message is getting through now that Malaysia has turned the corner?

P.M. Dr. Mahathir :

Serious investors will examine the meaning of currency controls. But the casual investor will merely read reports, he is likely to decide that well, this is not the country but the serious investors are here and they know that this is a country which is politically stable, economically well managed. The controls are not going to stop them in any way and in fact they are benefiting from an exchange rate that is fixed. No hedging is necessary so their cost of doing business in Malaysia is much lower than elsewhere.

The Observer :

For how long do you think the exchange rate control system will be maintained?

P.M. Dr. Mahathir :

As long as the world will come around to designing an architecture that will protect countries like Malaysia and other developing countries.

The Observer:

Would the creation of some sort of Asian Monetary Fund be another way as it were to anchor the security of the currencies?

P.M. Dr. Mahathir :

Yes, I think so. Because obviously, when you are in trouble, you need money, you need to go someplace to borrow and you want to borrow from people who will not impose additional conditions. IMF as you know use that in order to pressure the market. Okay, we will issue you the money but you must open up the market and allow foreign banks, foreign companies, to buy up all your companies and on top of all of that, of course they will devalue your shares and they come and pick it up a half price.

The Observer :

Looking back on your career, we have seen that you have accomplished a number of different things in different areas, each of them spectacular. For example, on the economy you can look at a period of growth of 80% for a maintainable long period of time, then we can look at the management of crises without any precedent, the magnitude of which was almost beyond the powers of a country such as Malaysia to deal with, that has been dealt with. Then we can look at the social cohesion of forging a nation of diverse ethnic groups and religions. Which achievement would you place the most importance and what would you feel most proud of?

P.M. Dr. Mahathir :

We are very proud of our racial harmony, a most difficult thing and sensitive to us. There has to be a price. For example, if anybody tries to create antagonism based on race or religion, then we have to put a stop to it. We have so much freedom but not the freedom to destroy other people's feelings.

The Observer :

Would you say that this is less vulnerable than the economy, less fragile than the economy has been, less likely to receive the same shock?

P.M. Dr. Mahathir :

We are in control of our racial harmony because it is an internal issue....but the economy is open and we have to accept that what is being done by others can have an impact on us. The thing to do is to determine what are our intrinsic strengths and how we can resist possible attacks on our economy. I think in that we have been able to manage because we know where our strengths lie and where our weaknesses are.

The Observer :

We have seen that recent events in Sabah have strengthened the coalition, which you maintained and which must accept the responsibility to maintain racial unity. How solid do you think this is for the future and are you confident that the coalition will maintain the power?

P.M. Dr. Mahathir :

I think so we can maintain but we have to be vigilant all the time and watch for signs of any breakdown and immediately tend to the potential problem. So it is only by being alert all the time, that we maintain this country for that matter, any other country.

The Observer :

What is the reason for not revoking the Internal Security Act?

P.M. Dr. Mahathir :

There is no necessity. When there is the Internal Security Act, people will generally behave themselves. People say that well, there is no problem now, let's do away with it. Then once you have done away with it, people will say that well we are able to do this thing so why don't we ? - unclear -

Well, you know in some countries, they abolish the death penalty but what happens is that some people will be influenced by the idea of this...somebody can say I can murder this policeman and the most I will get is that I will be jailed for life...it is less risky than losing my life. Then you find suddenly there is an increase in the number of cases which in the

past you were have addressed by the death penalty. At that stage, you begin to think that you should bring back the death penalty. You ask some of the taxi drivers in London, or even the policeman, they think it is a good thing to have the death penalty.

The Observer :

This reflects a moment in Malaysia's history, where this is still necessary ?

P.M. Dr. Mahathir :

In Malaysia it is still necessary, it is better to be cautious.

The Observer :

And finally, we represent a very mainstream media with large amount of readers, is there a particular message that you would like to give these people, that perhaps have been misled to a certain extent due to false press coverage?

P.M. Dr. Mahathir :

Well, I always feel that the media has a duty to report the facts, because people make decisions based on facts or what they think are the facts. When you report wrongly of you have biased reports, or you skewed the report, you are actually doing a disservice to your readers who pay money to read what you have provided to read. And they pay money and you provide them with the wrong messages, wrong information. They make wrong decisions and they may lose money, or may even lose their life. You say that a place is safe, example, Malaysia is more dangerous than Central Park New York then somebody might go to Central Park in New York and get killed there whereas in Malaysia it is very safe. So information is the basis of decision making and to make good decisions you have to have good information and the media has a duty to provide facts so that people can make decisions. Let them make decisions, don't make decisions for them. Certain people use the media to promote their own agenda.

The Observer :

Well, we will try to do our duty. You have certainly helped us a great deal. Thank you ver much Prime Minister.