

Interview: Dato' Seri Rafidah binti Aziz



Malaysia's Fight for Economic Development and Sovereignty

Dato' Seri Rafidah binti Aziz, who is the Malaysian Minister of International Trade and Industry, was in New York in late September, with a delegation of members of parliament, government officials dealing in trade relations, and numerous Malaysian businessmen. The purpose of their visit, which included stops in Chicago, Boston, and other major cities, was to promote trade with Malaysia, and to encourage American businessmen to invest in their economy.

In her remarks to the seminar on "Business Opportunities in Malaysia," attended by several hundred businessmen, she compared the situation in her country now, to what it was the last time she visited the United States, in 1998. That was during the height of the regional economic crisis, whereas now, following the exchange and selective capital control measures instituted by the government, the Malaysian economy, she said, is rebounding. Those critics who called the measures "unorthodox," have been proven wrong, because they worked for Malaysia.

Minister Rafidah Aziz stressed the role of the real economy, in Malaysia's economic recovery. Gross Domestic Product for 1999 was 5.8%, which is expected to be matched this year as well. Citing several statistics on production and trade, to document the recovery, she emphasized that 80% of the country's global exports have been manufactures, including in trade with the United States, which accounts for more than its trade with Russia, India, and eastern Europe combined. Manufacturing accounts for one-third of GDP, as well. The emphasis on developing and expanding the manufacturing sector, is based on the government's understanding that manufacturing is the "real economy." As Minister Rafidah Aziz said, foreign investments go into various sectors, into hotels, privatization, equity, and so forth, but these are not taken into account by the government, in calculating foreign direct investments. It is investments, both domestic and foreign, into the manufacturing sector, which count. Malaysia will become a fully industrialized country by the year 2020, she said, and has defined its development priorities to include raising the technological level of the economy, and expanding education and health care.

In the course of the lively exchange with the participants, the Minister was asked about "human rights" concerns in Malaysia, related to the case of Anwar Ibrahim. Her answer was to the point: "What do you want to know about Anwar?"

she asked. The man had been accused of crimes, according to Malaysian law, and tried in court. It has nothing to do with human rights. The details of the case, she said, were reported on "ad nauseam; just like your white spots on the blue dress, we had spots on mattresses," until one was fed up with it. However, the trial had to proceed, in all transparency, and did. Anwar Ibrahim was found guilty and sentenced according to Malaysian law. No one, she said, "should have the temerity to make any value judgments on anybody's legal system," just as no one should do the same to the American legal system.

Asked about the rising oil prices, she said that, were they not checked, they would have an adverse effect on industry and consumers. Therefore, she explained, the Malaysian government adopts an interventionist policy, and regulates prices at the pump, through the mechanism of a duty, forgoing it when prices rise.

Minister Rafidah Aziz gave the following interview to Lynne Speed and Muriel Mirak-Weissbach, in New York, on Sept. 25. Questions which EIR asked during the seminar, have been integrated into the interview.

EIR: Malaysian Prime Minister Dato' Seri Dr. Mahathir bin Mohamad has talked about the need to achieve real economic independence, as a means of ending colonization, and establishing true national sovereignty. In this context, how do you view the current period, especially the joint work between Africa and Asia, to conclude the promise going back a half-century, to gain national sovereignty and independence for those two continents?

Rafidah Aziz: I see a progression of events as follows. One, with economic interdependence globally, there is a risk of countries losing their economic sovereignty. Because of globalization, there is an erosion of economic barriers, and some small economies may not be able to hold their own, and may lose sovereignty by default; large multinationals move in, take control of markets, take control of resources, and it may eventually lead to some erosion of their economic sovereignty. That's the reality, the result of extreme economic interdependence among countries.

Perhaps it is, realizing this, that many countries now begin to look seriously at trying to protect their economic sovereignty. Malaysia is one of those, because we have gotten

ourselves out of the colonial hold, we are politically independent, and we must continue to have our independence manifested in our ability to determine our economic destiny. There's no point in being politically independent but economically tied to others. That is something that countries like Malaysia want to do now, to make sure that we are able to determine our economic destiny. That does not mean breaking off ties to people, that does not mean being economically "independent"—you can't, the world is such—but we must realize that in the context of economic interdependence with everybody else, we know our place, we know our strength, we know . . . how to put value on our inputs into the interdependent relationship.

In other words, we can make decisions on our own. If we find that in an interdependent relationship, something is not going to benefit us, we opt out. For example, the currency situation: We decided to opt out, because linkages with the rest of the world via the currency network is not helping us at all. So we opt out, pegging the currency. That's what I meant.

EIR: We've seen in Sudan, the results of Malaysia's cooperation there, on the pipeline project. Can you say more about Malaysia's perspectives for cooperation with other African countries, in the petroleum sector, as well as others?

Rafidah Aziz: In Sudan, we have a comprehensive program. Malaysia believes that we in the South must work together with the rest, and if there is any sharing of expertise that we can do, we should do that. So, Malaysia believes, that where we do have expertise, we have to share it; so we encourage companies to do work, in the South-South program—in the area of petrochemicals, in construction, highway construction, housing, consultancy in the service sector, engineering, not to mention in trade itself. In fact, we do have a government-sponsored Malaysian Technical Cooperation Program, MTCP, where, we do believe, in addition to doing work in other countries, we should try and gather the human resources of these countries together and share experiences. Through this MTCP, we bring personnel every year from all over the world, from South countries, to come and study in Malaysia, whatever they study—in technical areas, investment, and trade promotion. They stay for some length of time, and we hope that, after looking at the subject matter more closely, sharing their experience with their friends from other countries, they go back and help to rejuvenate their own economies, in their own areas of operations. So, that is how we put in our little contribution to South-South cooperation. We believe in this very, very strongly, and we don't use this as "talk shop," we do it.

EIR: On the oil price rise: Normally, it is said, the price is determined by supply and demand, but today we see that production is very high. Several Organization of Petroleum

Exporting Countries (OPEC) officials have said that it is due to speculation, and the contraction of refining capacities. As an oil-producing nation, which has fought speculative attacks, how would you respond to the proposal made by *EIR* founder Lyndon LaRouche, for emergency state-to-state cooperation between producer countries and consumer nations, for deals on energy, prices, and supply, to bypass the speculators?

Rafidah Aziz: One can't separate producers from consumers; for example, Malaysia is a producer and also a consumer. It has to be seen as a global problem. Maybe we will have to find replacements, to offset the volatilities in the oil price. He is right about supply and demand not being the factor. It's just like currency: Why speculate on anything that stops normal supply and demand? People keep physical stocks, people speculate on non-physical stocks—sometimes that's even worse than rises determined by actual physical stocks. People speculate on something that's not even there. That's even worse.

It's not that easy to just say, "Get together." Even OPEC cannot get together. It's not easy, even for other commodities, like rubber. We pulled out of INRO, the group of rubber producers, because we could not agree on price stability. It's like the currency problem: There is a lot of talk, but little action.

EIR: You mentioned in your speech that the 1997-98 crisis, afterwards, only appeared to have been a "blip on the screen." Certainly, Malaysia's exchange and selective capital controls have worked well to stabilize the currency and the economy. However, the past several weeks, especially last week, have shown in the international currency and stock markets, a systemic crisis is here. U.S. Treasury Secretary Larry Summers had to reverse his policy Friday, to support the collapsing euro, because of what was identified as a "threat to the system as a whole." My question is, since Malaysia has pioneered these exchange and capital controls, which have been very successful, and since the ASEAN-Plus-3 [ASEAN plus China, Japan, and South Korea] countries did deliberate in the Chiang Mai meeting last spring, to establish an Asian Monetary Fund, how do you see the possibility of this initiative becoming a regional building block for a new monetary system worldwide, a new Bretton Woods system?

Rafidah Aziz: So much has been said about reforming the international financial architecture. I've always said, too many people talk about having this architecture, but nobody is coming forward, to be the architect, to set up this new architecture. It has been three years now, and we see no signs of the new financial order coming up, and unless people really put their minds to it and work together to bring about some changes in the way the financial system works internationally, we will still see the U.S. having to support the euro, or currencies collapsing here, there, and everywhere, and volatilities

If you want to trade currency, maybe you could have a two-tier system: currencies transacted to pay for exports, and the other one, trading for hedging purposes. It can be done, surely. People have gone to the Moon, and set up space stations. I don't see why they cannot do this.

affecting individual economies very, very badly. So, Malaysia took the very brave stance of just pegging our currency to the dollar, and did not allow the currency to be manipulated, to be traded offshore, and to make it not convertible offshore. So now we have stability. It is so important to have stability, for decision-making, both in government and the private sector. It has worked for us.

So, when we talk about having an Asian Monetary Fund, that was a regional initiative, to try to input into the more stable system in our own region. But even more important is a global initiative. No amount of regional blocs can make up for a strong international architecture. (And I hate to repeat the word “architecture,” but it’s been mouthed by everyone, so let it be.) So, you may have good rooms, but that will not make a good house. You may have a good kitchen, a good living room, but they’re not well coordinated. It doesn’t make for a habitable home. So here, we’re talking about designing a proper home, which does not allow for volatilities and instabilities, and where currency trading can be regulated.

When I say regulation, one thinks, “Oh, you want to control everything.” I would just like to reiterate, when I was very young, and studied economics many, many years ago, we were taught that when people demanded somebody’s currency to pay for the imports you buy from that country, and your currency has a stronger value, because you are exporting so well—today, currencies’ values do not reflect trade performance, nor do they reflect the strength of the economy. They just trade currency as another commodity. You buy and sell currency, like you buy and sell oil, or ethylene. That’s what currency has become. It’s not something to pay for transactions. It has changed. The whole thing has changed. We have to go back to basics. Let the demand for currency on the markets reflect the payments for trade, the transactions in trade, and not buying and selling currency for currency’s sake, as a trading item or commodity. As we look at the Asian Monetary Fund as a regional initiative, nothing can replace the international perspective of having a new monetary system.

As for the “blip on the screen,” that’s an expression for Malaysia. When the first crisis hit, some said it was a blip on the screen, others said, no, Malaysia was going to the dumps. Now it looks like a blip on the screen. Perhaps the screen will show a blip a few more times.

EIR: Do you know of any plans or attempts that have already been made, to approach other regional blocs, from the side of ASEAN-Plus-3, or the Malaysian government, in order to engage in a broader effort, such as the Arab world, the Organization of Islamic Conference, Europe, or Ibero-American organizations?

Rafidah Aziz: We do not do it on a regional basis, but we talk to other people, whether they belong to some regional grouping or not. For example, in the G-77, when we discussed the crisis, world problems, we mentioned the need for the international resolution to this problem. We talked in the G-15, in APEC [Asia Pacific Economic Cooperation Forum]. We very, very strongly enunciated that in ASEAN, and we talked to the Latin Americans, during our bilaterals. So, we talk to everybody—put it that way. And with Europe. And I’m sure that when we talk at the ASEAN-Europe meeting coming up in October, we will also be addressing that, because everybody will have to be made to realize that this has got to be a collective effort.

EIR: What have the responses been?

Rafidah Aziz: The responses have been the same: They all agree that we should have a new financial structure, a new architecture; they repeat the same boring enunciations—it’s like having a repetition, it used to be the gramophone, a broken record, now it’s the compact disc, the same CD played over and over again, except that there’s no new input to the tune, period. We heard the same tune three years ago; now, we’re hearing the same tune. There are some little refinements, but still nothing has come out of it. There has been a forum—well, they have said, there’s already a forum. Well, a forum is a forum. We want to see somebody actually evolve the structure, input it into the IMF [International Monetary Fund] or the World Bank policy structure, so that it can become a global framework. We are small, we cannot do that on our own, no region can do it. It has got to come from an international cooperative effort.

EIR: Of course, the IMF and World Bank are opposed to this; they are trying to absorb the AMF.

Rafidah Aziz: That is the problem.

EIR: What we’re talking about, is a new monetary system,

that will replace the IMF system.

Rafidah Aziz: Yes, yes, but that's what I mean. That's the problem. They don't see it as something that needs a global resolution, they see it as something regional. We're saying, no, in 1997 there was a regional crisis, but you must remember that had global repercussions as a result. There were other currencies, totally unrelated, that collapsed—Russia, in 1998; and some of the African countries—Zimbabwe, the South African rand, all collapsed. They had nothing to do with us, but that's the way things work now. The chain reaction was very global.

EIR: The reason why the IMF will not take up this idea, is that the IMF sees this—correctly—as a replacement for itself. Because the IMF system is bankrupt.

Rafidah Aziz: True, but the people who manage the IMF must realize, that times have changed, ways of doing business have changed. We see no reason why the way the IMF is structured, should not change. I don't see why the IMF should not evolve structurally, keeping some areas of the IMF intact, but changing the ones that plug the loopholes, as far as currency trading, or unregulated currency trading, is concerned.

What is important, is step-by-step analysis. What is the most important thing that has contributed to the problems that we are now facing? The regional crises, the currency crises? One is unregulated currency trading. I don't think one can stop currency trading per se, because you still have to pay for your imports. Currency will have to be traded, bought and sold, in order to pay for your imports, transactions will have to be cleared, so you need money, you need to have foreign exchange transactions. That's what I call currency trading, not trading in money. What we have now, is two things: one is transactions in currency, to pay for exports and imports, the other is *trading* in currencies. Now—I'm just being very realistic—let's split these two: Basically, if you look at what's happening in the world, transactions in currencies for trade have never been a problem, but once people start trading in currency, then there's a problem, that's what you have to regulate, not the other one.

EIR: You mean, fixed exchange rates, which then kills speculation?

Rafidah Aziz: That's it. But is a country like the U.S. ready to agree to such a thing? Because in this country, currency trading (not currency transaction) is quite important.

EIR: Yes, over 98% of foreign exchange transactions per day are related to this, less than 2% relate to trade in goods and services.

Rafidah Aziz: Exactly. You see, is the government of this country willing to ease that out? Fine, so then, bearing in mind the reality of it all, then they should contribute toward the regulation of that trade, so that it does not contribute toward

jeopardizing economies. I mean, if you want to trade currency, maybe you could have a two-tier system: currencies transacted to pay for exports, and the other one, trading for hedging purposes, you can split that. You could fix the first one, but have a different format for the hedging. It can be done, surely. People have gone to the Moon, and set up space stations. I don't see why they cannot do this.

You have a two-tiered system. With different arrangements, so that one does not stop the economy at all, because it's based on fundamentals, based on trade.

EIR: Are you talking about the system that we had before 1971?

Rafidah Aziz: It's not that it has never been tried. It worked very well. Then, people decided to go one up, and said, now let's deal in currencies. Just look at paper. So you get paper at the end of it all, useless paper.

EIR: Vice President Al Gore, when in Kuala Lumpur at the APEC conference in 1998—

Rafidah Aziz: You want to remind me of that?

EIR:—openly supported the mobs in the street, and in the name of democracy called for insurrection. You, I think, accurately described this as one of the most disgusting speeches you had ever heard. Again, recently, U.S. Secretary of State Madeleine Albright, at the Warsaw conference, under the guise of democracy, made various proposals, which were rejected by French Foreign Minister Hubert Védrine. My question is, have you in Malaysia, as a result of the innovative stands you have taken, continued to have interference in your internal affairs, under the guise of democracy?

Rafidah Aziz: We do see that happening. For example, when the verdict on Anwar was announced, we had people here criticizing it, commenting on it, and we had Madeleine Albright saying something to the effect that Malaysian people deserve a better leader. Well, I say nobody outside of Malaysia has any business saying what kind of leader Malaysia should have, because we elected our leader through the democratic process. The fact that some foreign so-called leaders have the cheek to comment, shows that they don't understand democracy. Democracy means, you allow the people to choose whom they want to lead them, and they've got those leaders, so that's democracy. Now, who are you to say, that those are not the right leaders? You are being undemocratic. You are denying us the democratic right. It's as simple as that.

So, sometimes we wonder why some outside leaders want to interfere. Do they have their own agenda? That includes reining in small countries like Malaysia, into their political corral, for whatever reasons; otherwise, why don't they stop interfering? We don't want anyone to interfere in our own backyard. In fact, it is not our backyard. They are interfering into our own bedroom. The government is a bedroom. You

want to interfere in the bedroom, whom we sleep with? I think that's bad, very undemocratic. They can go to bed with whomever they like, we don't care, but don't tell us whom we should fraternize with. Literally.

EIR: You mentioned in your speech, the cultural onslaught, through TV, videos, music, of culture which we consider very negative and destructive. How do you deal with this?

Rafidah Aziz: In terms of the onslaught of other cultures, we have onslaught of the good and the bad, that comes together with TV, the Internet. It's not always bad, what comes through. It's up to us in Malaysia, to select that which would enrich culture, that which would erode our culture. We have to make that decision. Of course, some countries may want to say, "Okay, we make the decision for you," or some governments, and we stop this coming in, we stop that coming in. For Malaysia, we feel that people should be mature enough to take the good and learn from the bad, neglect the bad, and take only the good elements. It would help to enrich our culture.

Having said that, unfortunately, that democratic right to access to these external elements, sometimes is abused, they learn the wrong things. Our young people sometimes get influenced negatively. It is very sad, so we have an educative process all the time, telling them what's good and bad. It's not that easy. Young people don't always listen.

Considering the cultural aspect of all of Asia, maybe we are all trying in that part of the world to evolve, as soon as we can, a more coherent Asia. The Asia of the past has not been very coherent. There were parts of a puzzle that never seemed to fit together. Long ago, we were a coherent Asia, but not a developed Asia. But we developed at our own pace, and were colonized differently; but now that all of us in Asia are politically independent, and there is no more colonialism, maybe we can say we are working toward a more coherent Asia, in terms of culture, in terms of values and understanding, but a different Asia, an Asia that has technology, an Asia that can live with those outside of Asia, but still one Asia. With North and South Korea coming together, that is what we're looking at, consciously or unconsciously.

EIR: It is an important model against Samuel Huntington's thesis that there is a "clash of civilizations," which aims at creating tensions. Malaysia's fight for economic development is an important counterpole to that idea. All humanity is here together. We can use the crisis as an opportunity to bring about changes, in the economic and social structures.

Rafidah Aziz: I think in every country, there must be a deep realization among the people of the country, that they want economic development, and they must realize that economic development doesn't come through revolution, through shouting around in the streets, or through wishful thinking. Everyone must realize—we in Malaysia realize—that you must have the kind of environment that makes for such eco-

omic development, whose benefits can be felt by all levels of society. And that environment can come about, from social and political stability.

That is crucial: Unless you're able to have governments that can stay for a long time, to plan and to implement policies over the longer-term perspective, nothing much will happen, no matter how beautiful the policies are encapsulated into bound documents, unless you have a government with that kind of ability to do it. To my mind, only a government that can stay long enough, for a long time, a government that has an uninterrupted tenure in office, can see all policies implemented, fine-tune them on a five-year basis or annual basis, even ten-year basis. But, unless that happens, you don't expect any real development to happen. And people will always be unhappy. Their expectations will be much higher than what they get.

So, people must work toward having stable governments, and not allow any busybodies from outside to try to destabilize things in their own countries. The Malaysian people are committed. We will continue not to allow anybody from outside to destabilize, because we have something good going for us, we're not about to allow it to change. It's up to the people. It's the people who make up the government. Outsiders can just make observations, outsiders can interfere, but we still have to make decisions, we, the people of the country.

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