



The Concept of Mahathiriskonomisme: An Economic Recovery Model during Crisis

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Abstract

Mahathiriskonomism is a thought concept in an effort to save the economy under crisis and has proven successful. This model was a manifestation of idea and an action plan used by Malaysia during the economic crisis, which was an initiative of Tun Dr. Mahathir Mohamad during his reign as Malaysia's Prime Minister. With experience in handling two great economic crises, in 1982 and 1997, the birth of an economic management under stress by Tun Dr Mahathir can clearly be called as Mahathiriskonomism. Therefore, the thought perspective and idea with the actions that were used in 1997 was perceived as an important effective experiment in handling the economic crisis which has defied western believes, applied by the International Money Fund (IMF) and also the World Bank under the Washington Consensus. The global economic crisis 2008 made Malaysia an important subject as alternative management in economy under stress. In this ever challenging world, no country in this world can escape from menaces and threats. The threats that emerge can come in various forms. One of the threats and menaces that can manifest is in terms of economy and national development. Currently, in this globalised era, international institutions are also used as instruments to threaten and menace a country's sovereignty. The westerner's are supposed to use international institutions as agents, design to shake the stability and present an impact to the government of a country. Consequently the countries being threaten are compelled to accept the injection from the International Money Fund (IMF) which is perceived by some leaders and the public as a proxy to United State and westerners. The IMF had succeeded in confusing the local financial and political system. In the quest to defend the integrity and sovereignty of Malaysia, under the leadership of former Prime Minister, Y.Bhg Tun Dr. Mahathir Mohamad had successfully minimized the impact of threats and maintained economic management and national politic towards stability. Hence, this approach which can also be referred as 'Mahathiriskonomisme' is identified as a successful approach that amazed the world, furthermore it is observed and studied not only by economy and political researchers in Malaysia, but also international researchers.

Keywords: Mahathiriskonomism, Economic crisis, Economic management, Political economic

1. Introduction

Mahathiriskonomism derives from the combination of the name 'Mahathir' from Dr. Mahathir Mohamad, former Malaysian Prime Minister, with the word risk and economy, in addition the prefix 'ism' is attach to suggest a thought or

ideology (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008). Therefore the term 'Mahathiriskonomism' is created, which by general definition is the paradigm and thought of Mahathir concerning the economic risk that Malaysia faced during his reign as Malaysia's Prime Minister from July 1981 to 31st of October 2003 (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008). In this ever challenging world, no country in this world can escape from menaces and threats. Threats that appear can come in various forms. One of the threats and menaces that can manifest is in terms of economy and national development. Currently, in this globalised era, international institutions are also used as instruments to threaten and menace a country's sovereignty. The westerner's are seen to use international institutions as agents, design to shake the stability and present an impact to the government in a country (Md Hussin Nayan,1995:14; Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008)). This is indeed the current reality that the world is facing. Whether it is true or not, it depends on the perception and view of each individual. Remembering the economic crisis in 1997/98, many nations of the world that was threatened by the crisis were a result of the attack on their currency. Countries like Mexico, Argentina, South Korea, Thailand, Malaysia and Indonesia are among the countries that directly experienced the impact of the attack on the currency. The threat on the value currency caused it to fluctuate dramatically and became the source of economic chaos of the country. Every planning from national budget, company, business and also personal was troubled by the instability of the currency in the international market (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008).

Consequently countries involved, were obliged to accept injection from the International Money Fund (IMF) which is perceived by many as a proxy to the United States and Westerners (Md Hussin Nayan,1995:14). IMF had successfully confused local financial and political system. This was the source of finance instability which affected the economy and spread on to disrupting political and law stability in a country. This is what happened to countries threaten by the crisis in 1997/98. Malaysia and Indonesia became a literature review of the new form dilemma of threat menacing national integrity and sovereignty. To defend integrity and sovereignty of a country, the 'Mahathiriskonomism' approach is perceived successful, respected by the world and now studied by not only political economy researchers in Malaysia, but even international researchers. Previously, there have been studies explaining Mahathir's approach, such as Mahathirism, and also Mahathironomics conducted by Prof Datuk Dr. Adnan Alias, and Md. Shukri Shuib (2007) had proposed the new term to describe on Mahathir success on handling economic crisis as 'Mahathiriskonomism'. Therefore, this paper intends to present another observation on Mahathir's analysis of risk and economic challenge that Malaysia faced during the financial turmoil in 1997/98.

2. Mahathiriskonomism a Regional Model

Mahathir showed his willingness to take risk, which is to defy popularity. Initially, around the peak of 1997/98's economic crisis, on the 1st of September 1998 he decided on a political action that was unreasonable during a time the country is struggling with serious economic disorder; he sacked the Finance Minister who was also the Deputy Prime Minister and at the same time the number two leader after him within the United Malay National Organization (UMNO) and National Front (BN). Anwar Ibrahim was sacked and this was another challenge that Dr. Mahathir had to handle simultaneously with the economic crisis that struck the country. Subsequently, after creating a political dimension post Anwar, without the number two, on the 2nd of September 1998 he decided on a drastic measure that is restricting resource or instrument of speculation. For this purposes, he prevented offshore activities by controlling selected foreign exchange to stabilize short-term capital (Md. Nasrudin, 2000: 89; Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008)). Dr. Mahathir's decision was ingenious through his willingness to face uncertainty and achieve his objective. He created the '3R' formula that meant relax, respect and response.

With this approach Dr. Mahathir was clearly relaxed in handling any ordeal although sometimes it reduced his popular among the people and voters, because he hold firm to what he believes true and right. Respect means to respect and hope his leadership and country to have self-respect, he gives response to every action made accurately and implement the correct policy and action to enable the people and also international observer not just seeing the success of his actions but also to enjoy the success together. All along his administration, there existed various national policies which include elements of politics, economy and social either individually or collectively (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008). The policies that have been implemented during his administration such as:

- i) Leadership by Example. The "leadership by example" policy was launched by the Prime Minister on the 19th of March 1983. The foundation to this policy success is the existence of an excellent leadership that can be of exemplary.
- ii) Clean, Efficient and Trust is a philosophy that believes noble values help increase quality, productivity and credibility and also trigger the spirit of working efficiently. This policy was launched in April 1982.
- iii) Islamic Values Application by application of Islamic values aims to form a happy country and to produce self-respected Malaysians respected by other nations.

iv) Malaysia Population towards 70 Million. The policy to increase the population to 70 million people had been suggested by the Prime Minister in the UMNO's Grand Assembly in September 1982. He believes that with a total population of 70 million within 115 – 120 year, the country would be able to be more successful. The suggestion was again proposed during the presentation of 4th Malaysian Planning on 29th of March 1984. In the efforts to achieve this objective, the government has unveiled several strategies, such as tax policy and labor benefits providing benefits to families having 5 children.

v) Privatization Policy. Privatization policy was first introduced in the year 1983 after the Malaysia cooperation policy. Through this privatization policy, the government had transferred power, interest and investments to certain private sector. By privatizing specific services, the government believed that it would enable to increase the sectors effectiveness and efficiency.

vi) Malaysian Cooperation Policy. Malaysian Cooperation Policy was proposed by the Prime Minister Dr. Mahathir Mohamad during the launching of the National Institute of Public Administration (INTAN) on the 25th of February 1983. This policy aims to stimulate the private sector's active engagement in national development. The key strategy of this policy is to enhance ties between public sector and private sector in various fields. The relationship among public and private sector will be improved which will help contribute to national development.

vii) Vision 2020. Dr. Mahathir, when presenting a paper work entitled "Malaysian: The Way Forward" at the first conference of Malaysian Trading in Kuala Lumpur on the 28th of February 1991, stated nine main challenges that Malaysia needed to face to become a new industrial nation and a developed country in year 2020. In year 2020, Malaysia will be a united country with citizens who are confident, high moral value and strong ethics, democratic, liberal and compromising, caring, fair in terms of economic distribution, progressive and prosperous and have full control over the competitive, dynamic, active and viscous economy.

viii) National Development Policy (DPN). National Development Policy (DPN) aims to attain a balanced development in establishing united and fair society. DPN stresses on to the growth with fair distribution enabling every Malaysian to participate in any principal economic activity. DPN is a continuity of the New Economy Policy (NEP) with a goal to eradicate poverty and reform society.

Simultaneous economic crisis with political challenges that Mahathir faced was also similar to the situation in Indonesia. At the time of economic crisis, the most populated country in ASEAN was also struggling with reformation. In Malaysia, Anwar also launched a movement comparable to Indonesia and used the same slogan. In Malaysia, in the development and prosperity creation perspective, Dr. Mahathir had put a strong foundation to the national economy system as one of the main priorities in Malaysia (Md. Shukri, August 2007: 50; (Md. Shukri, 2007; Md. Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008)). In the past, politics and military were the main priority of a country, but now economy has become a source of threat to the national security of a country if it is not manage and examine thoroughly and strategically (Md. Shukri, August 2007: 50; (Md. Shukri, 2007; Md. Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008)). In recalling the downfall of the currency in 1997/98, Dr. Mahathir had declared war and economy emergency by setting up National Economics Action Council. He introduced a method whereby the post as Finance Minister is hold by the Prime Minister and elected prominent local and foreign economic experts to tackle the economic problem (Md. Shukri, August 2007: 50; (Md. Shukri, 2007; Md. Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008)). This decision was taken to enable the problem relating to the national and international economic system could be monitored and take appropriate action so that the country is not unharmed in stability and prosperity (Md. Shukri, August 2007: 50; (Md. Shukri, 2007; Md. Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008)).

3. Features Mahathiriskonomism

Mahathiriskonomism is generally Mahathir's thoughts on dealing with the economical and political issues especially in facing national sovereignty threats during the economic crisis in 1997/98. It is identified that there exist several fundamental features of Mahathir's thoughts in determining a decision, according to Prof Adnan Alias (2003; Md. Shukri, 2007; Md. Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008), the basis of Mahathir's thoughts covers elements as follows:-

First: Back to basic which is to question the fundamentals and find the simplest explanation to solving a problem

Second: Confront the flow, Dr. Mahathir dare to propose an idea that is obviously different from the trend or conventional.

Third: Make the right decision, this is usually a characteristic of a successful entrepreneur, every decision is not only base on the right or best way but also stresses the decision's need to be materialized until fruitful.

Additionally, Mahathiriskonomism also include the courage to risk as a key element in achieving Mahathir's action in his response to face the financial crisis. Mahathiriskonomism's features also include elements of idealistic thoughts and actions and sometimes transcend time. Mahathir's thought are visionary and idealistic with strategies and specific

techniques to achieve success. One of the examples is clearly evident in the vision 2020 which stipulates Malaysia to be a distinctive developed nation in year 2020. Mahathir's thoughts can also be characterize as responsive to time or environment, and far from being futuristic. Mahathir's thought are able to adapt risks of political economical challenge, this is clearly seen through his idea by suggesting measures especially in anchoring the value of Malaysian Ringgit as RM3.80 to ASS1, imposing capital control that was labeled as an innovative financial instrument by Tan Sri Nor Mohamed Yakcop (Malaysia's Finance Minister), which was the most significant measure in ensuring stability of Malaysia's financial system (Muhammad Azli Shukri, July 2007: 20). Measures that were carried out in the administration of Dr. Mahathir through the National Economic Action Council enabled Malaysia to face foreign speculator's attack which have capitals of over ASS500 billion. Moreover, according to Tan Sri Nor Mohamed Yakcop, Malaysia is capable of providing a model that is the opposite of IMF's package to countries borrowing money from this monetary fund; that is with not raising the interest rate.

Malaysia instead lowered the interest rates to increase the number of liquidity or the amount of money in the market to stimulate economic growth, as a result the IMF loosen the conditions by granting the countries lower interest rates to inject liquidity to their economy so that Malaysia is not seen superior to those countries assisted by IMF (Muhammad Azli Shukri, July 2007: 20). A vision with merely idealistic idea can not guarantee in raching an objective, but with appropriate strategies and specific techniques, Tun Dr. Mahathir was able to response to the situation (Ahmad Naim Jaafar, 2003: 171). According to Ahmad Naim (2003) in responding to the technology progress, Multimedia Super Corridor was created and had since been develop in tandem with the current technological advancement. Dr. Mahathir is sharp in creating a situation and being able to provide an objective of his leadership with a clear action plan. This is what it called as leadership intelligence using the framing technique that mean that a leader possesses the leadership language and give directions to the organization (Ahmad Naim, 203:179-180; (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisol Keling and Mohd Na'eim Ajis, 2008)). This definition emerged and is used commonly after Dr. Mahathir's sayings such as "We can", "Malay tend to forget", "The struggle is not over". Other popular mottos in his effort to handle the economic crisis of 1997/98 are "currency speculator", "foreign speculator" and had also embedded patriotism though the slogans like "Our country is our responsibility" and "for you Malaysia" (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisol Keling and Mohd Na'eim Ajis, 2008).

4. The Perspective of Mahathir's Economy Game Plan

Globalization comes with an open market. The globalization concept widely used around the world had also given the birth to the free market concept. This makes globalization work in tandem with financial and economic goals. While studying globalization, usually it can also be viewed as a world threat. Dr. Mahathir perceives globalization and free market progression as some superpower's weapon to disseminate their hegemony. The United States and other develop countries have succeeded in making globalization as an agent to propagate their market and economical power beyond the boundaries of their country (Rosazman Hussin,1999:161). Dr. Mahathir explanation of globalization can be viewed as a caution for Malaysia and other countries in the region to understand and be aware of the threats behind the concept of globalization and free market that the West have proliferate (Chandran Jeshurun,1993:72; Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisol Keling and Mohd Na'eim Ajis, 2008). According to Dr. Mahathir:-

"Free market means that those who are bigger, stronger and have more capital are those who will conquer. The citizens will not receive special treatment. Foreign companies are free to enter any country to compete with the local business and bank. The small local companies will be destroyed by the big companies (western companies) and we (in the local country) will be merely low wage labors working for them. They promise that it will all depend on merit and not through an unjust competition since they are the biggest and most experienced. And finally they will conquer every aspects of the local economy."(Berita Harian, 20th of June 2003)

Dr. Mahathir also demonstrated that economical instruments can become weapons to menace a nation's stability. This is validated by Stuart Harris (2000:499) an emeritus professor at Australian National University. He mentioned that through globalization, the financial system is the starting point that causes an economy crisis. In this context, it is evident that through the economy and financial system, it can be utilize as weapon to destroy a nation by disturbing its stability via a menace to one of the economic elements which can trigger a social disorder if the economy system becomes uncontrollable. In terms of nationalism, the concepts of regional and globalization can be perceived as an agenda that can inflict threat towards the sovereignty of a country. Globalization is especially assumed as the source of destruction. It can occur very fast if the country is unprepared to receive the free competition not only in the market but also in the free politics, economy and social which is highly connected with comprehensive security. This is because, in this era of globalization, the competition does not only happen outside the boundaries but also involves domestic competition inside the country. An imbalance competition between the rich and poor, the strong and weak will be an unjust competition. Additionally, in this global era with the notion of globalization, a rich world and foreign company who possess large capital will dominate the market and consequently monopolize the industry. In this world of globalization, monopoly will eventually prevail. The result is that the receiving country indirectly, without regulation control and protection from the

government will kill the national company. This is due to the inability of the national company of a country to counter all completion with different quality and price (Rosazman Hussin, 1999:143-159).

In the context of nationalism, it is normal for a country to defend the position of national company. But in this globalize era, very few people, including the leaders, view the protection of national company as important. This is the drawback of globalization seen through the viewpoint of nationalism. IMF had confessed its global mistake. But the negative effect should be fixed even though it had destroyed markets and capitals. Malaysia and other countries like Indonesia cannot avoid this global threat. In comparison, Malaysia had succeeded in defending the overall sovereignty, which is rejecting the injection of money from IMF sponsored by the West. Dr. Mahathir introduced the move to loan domestically, to stimulate the economy and encourage development (Md. Shukri, Ogos 2007:51). Institutions such as Employees Provident Fund (EPF), PETRONAS and other related government institutions became the centers of credit to recover national economy. The views from world finance and economy experts also supported Malaysia's move under the leadership of the then Prime Minister, Dr. Mahathir. Prof. Joseph Stiglitz and Prof. Steve Hanke explained their critical opinion on the expansion of global market and IMF threats to the sovereignty of a country in this era of globalization. Indonesia and Malaysia was chosen as an interesting model study case. Here it has clearly demonstrated the importance of the government's role in handling the global threat toward the nation's politic, economy and social stability. These three elements known as the global three functions namely politic economy and social are important elements in defending the security and sovereignty of a nation.

5. The Economy as a Tool and a Threat

The Asian crisis of 1997-98 had clearly transformed Indonesia and Malaysia. Economically, socially and politically the economy crisis and turmoil presented a significant effect. This change is not only acknowledged by Malaysian and Indonesian leaders but also by the Australians who is a neighbor of these Southeast Asian nations. Paul Keating, the former Australian Prime Minister (1991-1996) in his book entitled "Engagement", said:

"Then, from the middle of 1997, the Asian economic crisis presented Indonesia with the sharpest economic decline in its history, one of the steepest anywhere in the world in modern times. The economy shrank by 20 per cent. Unemployment more than doubled. Inflation soared by 80 per cent. It was a crisis unlike any Indonesia had faced in the past, because it was taking place in a country that had been transformed. In 1966, when Suharto came to power, agriculture made up half the economy; now it was just 20 per cent. A large middle class of perhaps 1.5 million people had grown up. Most importantly, community expectations had changed. As a result of thirty years of development, the people of Indonesia expected their own lives, and the prospects for their children, to steadily improve."

(Keating, 2000: 148-149)

Keating also wrote elaborately on what had happened in Indonesian during the peak of the economy crisis. Keating was known as the only Australian Prime Minister who had constantly tried to lessen the gap between Australia and other Asian countries. Keating perceived Indonesia's economy depended greatly on the United States, especially the value of rupiah compare to the US dollar that could harm Indonesia's economy. Thus if there is a change in the US economy, finance or currency policy, it will also affect Indonesia. This is the main cause of Indonesia's fall down, starting from the internal economic instability. Keating in his book mentioned that...

"Indonesia's problem began when the government was unable to sustain the informal currency peg it had established between the rupiah and the US dollar. Indonesia had benefited greatly from this link. But although it helped bring in foreign investment, it also generated a huge offshore debt burden. Indonesian businesses borrowed US dollars at US interest rates rather than at the higher Indonesian rates and did not hedge their borrowings because they assumed they faced no exchange risk. The offshore debt was around US\$74 billion. Three-quarters of it was unhinged, and it was mostly short term. Suharto told me later that his government had no idea of the size of this private sector borrowing."

(Keating, 2000: 149)

Because of Indonesian incapability to solve the soaring economy crisis, IMF became their foundation of hope.

"The Asian crisis of 1997 hit Indonesia hard. The IMF responded by prescribing its standard medicine and Indonesia floated the rupiah on July 2, 1997. The results were catastrophic. The value of the rupiah collapsed, inflation soared and economic chaos ensued."

(Hanke, 2003: 13)

The catastrophic effect that hit Indonesia due to instability of the currency, had destroyed and shattered Indonesia's economy. Australia the closest neighboring country in the southern hemisphere was aware and its Prime Minister, Paul Keating in a local newspaper The Australian, pointed out by Hanke, had announced that the United States recognized the collapse of Indonesia's economy that will crumple the government and leadership of Suharto. Hanke quoted Keating who said ... *"The [US] Treasury quite deliberately used the economic collapse as a means of bringing about the ouster of President Suharto"* (Hanke, 2003: 13). It should be reminded that on the 15th of January 1998, President Suharto had

signed a IMF package of US\$43 billion in the hope to rescue Indonesia's economy. This was witness by the Director General of IMF, Michael Camdessus, as describe by Keating *"I saw Suharto on 15 January 1998, the morning he was to sign a new, US\$43 billion, package of support with the IMF (the occasion later remembered for photographs of IMF Director General Michael Camdessus standing with folded arms as Suharto signed the papers)"* (Keating, 2000:151). Indonesia was compelled to accept the IMF package with every advice that IMF furnished concerning the reform of its economy *"The IMF's demand included not just measures to allow orderly economic adjustment but a complete reordering of the Indonesian economy. It seized the opportunity to impose an extensive and intrusive agenda of change"* (Keating, 2000:151-152).

The chaos of Indonesian government that time to defend the economy and market from further plummeting was viewed as a game by the US and IMF. *Suharto was told in no uncertain terms by US President Bill Clinton and the IMF's managing director Michael Camdessus that he would have to drop the currency board idea or forgo US\$43 billion in foreign assistance"*(Hanke, 2003: 13). The threat from US and IMF was seen a hindrance for Indonesia to save the economy and sovereignty of the country. According to Prof. Steve Hanke, an economic advisor for the White House during the reign of Ronald Reagan and also a professor of economics at John Hopkins University Baltimore, before receiving the IMF package on the 15th of January 1998, the Indonesian government under President Suharto, had try to counter the fall of the rupiah's value in the international market. Hanke described it by saying:

"Following our first meeting in Jakarta, Suharto named me as his special counselor. Shortly thereafter, Suharto endorsed my proposed currency board for Indonesia. This sent the rupiah soaring. It appreciated by 28 per cent against the US dollar on the day the news was released. This did not suit the US government and the IMF"

(Hanke, 2003: 13).

Joseph Stiglitz, the former Chairman of Economic Advisor Council to President Bill Clinton and also former chief economist of World Bank until January 2000, made a critical comment regarding the role of the United States in systematizing the economy activities and IMF assistance. Based on his experience as the economy advisor to the President of United States and also a prominent figure of World Bank, he wrote in the preface of his book entitled *"Globalization and Its Discontents"*,

"As a professor, I spent a lot of time researching and thinking about the economic and social issues I dealt with during my seven years in Washington. I believe it is important to view problems in a dispassionate way, to put aside ideology and to look at the evidence before making a decision about what is the best course of action. Unfortunately, through hardly surprisingly, in my time at the White House as a member and then chairman of the Council of Economic Advisers (a panel of three experts appointed by the president to provide economic advice in the executive branch of the U.S government), and at the World Bank, I saw that decisions were often made because of ideology and politics. As a result many wrong-headed actions were taken, ones that did not solve the problem at hand but that fit with the interests or beliefs of the people in power"

(Stiglitz, 2002: preface)

This writing show that the Washington's politic in painting the world economy follows US standard that is alleged to be global and indeed rational, right and proven. The direct effect of Washington's policy formulating process is felt globally, around the Southeast Asian region and also by the ASEAN countries. Furthermore, the Southeast Asian region received the greatest impact due to the indecisiveness of Washington's economic policies. Southeast Asian market's reliance on the United States, who clearly aspires to dominate the world, is seen as a threat to the elements of the global three functions. United States as the main business partner of Indonesia and Malaysia should have recognized and applied the prosper-thy-neighbor approach. But instead, Indonesia and Malaysia who are their biggest import and export partners was presented by a burden as a result of their politics during the value of the currency's down fall in the international market. This also demonstrate that Indonesia become a victim of the United States a superpower's political game, intended to weaken the stability and sovereignty of Indonesia. And ironically Indonesia was not the only country that was affected. Most of the countries in the region faced the organized threat.

Indonesia and Malaysia will always receive the effect, due to the geographical location and economy interdependence. Strategically, Malaysia is located in the center of the region, thus indirectly Thailand and Indonesia will affect Malaysia. Merton Miller, the Nobel Prize winner, said *"the US wanted to overthrow Suharto and that a currency board would spoil that plan"* (Hanke, 2003: 13). Because of the United States intention to disseminate its supremacy, IMF was use as the White House's tool, through the threat delivered by Michael Camdessus to Indonesia behind the loan. The Southeast Asian region was developing in such a way that this so called *"The rise of the East"* meant as an unsettling threat to the United States of America. Therefore, the act to destroy complete stability in this region of the East was conducted by this superpower so that the ASEAN Free Trade Area (AFTA) will not be accomplish and succeed. With the impact of the economic turmoil of 1997-98, ASEAN's cooperation with AFTA has not been performing effectively, because the

economic recession had shrank the region's economic level, slowing the process of development and destroying the eco-politics and social elements of the countries.

6. Mahathiriskonomism Saved Malaysia

For Dr. Mahathir, in his game plan to ensure Malaysia continuously will be able to succeed, the economic elements are the major foundation, with the economic progression, prosperity will be achieved, thus directly will ease the nation and encourage the development of business arena. Additionally, with a peaceful environment, the political stability will be established (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008). It is no wonder that various policies on development and progression were stress by Dr. Mahathir's administration. Malaysia is not immune to threats that Indonesia had experienced, the economy turmoil of 1997-98 had presented several problems to the country. As describe by Md. Shukri Shuib (2007) in his article on Mahathiriskonomism, the outcome of Mahathiriskonomism revealed the bravery of Dr. Mahathir in taking risks concerning economic matters to generate absolute sovereignty. In brief Mahathiriskonomism had saved total sovereignty even though the forces of threats were troubling Malaysia's global three functions (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008).

According to Weller and Hersh (2002), the main problem of Asian countries is the drastic capital flow. For 20 year the capital market had been flowing without control. This is evident through the increment of foreign capital from developed countries to developing countries. This increment can be compared to the increment of 1980 that only experience capital flow of US\$1.9 billion to US\$120.3 billion in 1997 (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008). This clearly displays the financial trouble in the domestic market of Asian countries including ASEAN and Malaysia, which is the inability to hoard the drastic foreign capital out flow like what the foreign investors executed during the Asian financial crisis 1998. And amazingly, as soon as the Asian countries experience bankruptcy, the acquisitions of foreign companies from foreign investors have attracted new investors. In 1998 alone, there was still foreign investors interest to invest up to US\$56 billion in the domestic market of Asian countries (Md. Shukri, 2007; Md.Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008). Malaysia identifies IMF not as an alternative for assistance in resolving the crisis. Japan as a friend was the alternative for Malaysia to assist the economic crisis. It is no wonder why Dr. Mahathir believes that East Asia has the potential in strengthening the regions market. Through ASEAN+3 (Japan, China and South Korea), and the collaboration of Southeast Asian and East Asia, Japan has the capability to take the role as regional super power. According to Dr. Mahathir, Japan through the success of Malaysia in managing the economy, had guarantee bon that Malaysia circulated in the international market. This was personally mentioned by Dr. Mahathir confirming that in times when Malaysia was in need to recover the economy crisis, Japan had offered its help.

"Japan came to the rescue by making available substantial soft loans amounting to several billion US dollars. Japan was also prepared to guarantee any bond issue by the Malaysian Government. And so despite Moody's and Standard and Poor's low ratings, when the Government tested the American bond market in 1999, the issue was oversubscribed by three times." (Mahathir, 1999).

Malaysia according to Prof. Stiglitz is ..

"... only Malaysia was brave enough to risk the wrath of the IMF; and though Prime Minister Mahathir's policies- trying to keep interest rates low, trying to put brakes on the rapid flow of speculative money out of the country- were attacked from all quarters, Malaysia's downturn was shorter and shallower than that of any other countries" (2002: 93).

Stiglitz also added,

"Malaysia was severely criticized during the crisis by the international financial community. Though Prime Minister Mahathir's...many of his economic policies were a success" (2002: 122).

IMF also recognize Malaysia's success in solving the economy and financial crisis of 1997-98, which they had announced clearly during the annual Group of Eight (G-8) in Evian, France on the 2nd of June 2003. The Chairman of IMF, Horst Kohler stated:

"Malaysia has recapitalized its banks, its system is more transparent and the country has been able to deal with the non-performing loans" additionally, *"Generally, Malaysia has improved the business climate"* (Kaur, 2003).

Even the former IMF chairman, Michael Camdessus, in Paris a week before said *"They are (Malaysia) within the rules of the IMF which has no objection"* (New Straits Times, 2003). Mahathiriskonomism approach is a success, this is because several years after the crisis Malaysia has recovered and improved the economy climate. In June 2003, Bank Negara Malaysia announced that the growth of NGP was 4%, revealing that Malaysia's economy is improving. This also supported the statement announced by the Minister of International Trade and Industry, Dato Seri Rafidah Aziz, that until April 2003 Malaysia had recorded a surplus in the international trade valuing of RM5.77 billion (US\$1.52 billion). Furthermore it enlightened that without the help of IMF, known to obstruct the financial freedom of loan receiving

countries, Malaysia accomplished success with its diversified resources. Hence, what Malaysia implemented in the economic crisis 1997/98 is now clearly accepted globally as an option to save the world economy from deteriorating. The developed world has also indirectly accepted Malaysian thinking and actions derived from Mahathiriskonomism applied as an economic policy during crisis. The success of the Mahathiriskonomism's model can visibly be seen through excellent record achievement showing sustainable economic managerial performance. It is evident, where in 1985 when the country faced critical economic state with a rate of just negative 1 percent in growth, Malaysia could overcome it and boost the growth to 1.2 percent (1986) and continue to increase and hit 8.7 percent (1988) (Md Shukri Shuib, Mohamad Faisal Keling and Mohd Na'eim Ajis, 2008).

Mahathiriskonomism's legacy of success has clearly been stated by Datuk Tajuddin Abdul Rahman, Barisan Nasional Parliament member of Pasir Salak, affirming Tun Dr. Mahathir's vast experience in economy which has proven successful in treating the economic stress in 1997 and has brought to Malaysian's success and therefore proposed that Dr. Mahathir be appointed as chief of National Economic Council (Utusan Malaysia, 21 November 2008: 8). A repetition of the economic crisis occurred which later hit Malaysia as a result of the regional Asia-Pacific crisis in 1997-98, again Malaysia with the distinctive model successfully encouraged positive growth where the decrement hit negative 7.5 percent in 1998, Malaysia with its 'Mahathiriskonomism' model that combines elements of Tun Dr Mahathir's ideas and thoughts in taking economic risks have successfully brought Malaysia to a growth as much as 5.8 percent (1999). The growth in 1999 was an increase of 13.3 percent from the previous year. Now, with a growth estimate still at 5 percent this year and 3.5 percent next year, Malaysia is still seen solid and is able to face crisis (Md.Shukri Shuib, 2008). The Malaysian Deputy Prime Minister and Finance Minister's statement, Datuk Seri Mohd Najib Tun Abdul Razak that the continuous lesson achieved due to a decade of economic crisis has caused Malaysia to place a concrete economic base which according to him 'continuous implementation of financial reformation since 1998 has made the country's financial sector long lasting' (Berita Harian, 21 November 2008) and is actually a management style that handles economic stress in the context and model implementation of Mahathiriskonomism.

Malaysia's effort under Dr Mahathir's leadership in 1998 that had restructured the financial institution by combining the involvement of 71 institutions with a capital between RM13.2 to RM6.6 billions to only allowing banking operation to just nine institutions, now enables each financial institution to have capital average of RM38.3 billions (Malaysian Business, November 16, 2008: 27). Profit of financial institutions have been positive where before tax profit in 2007 were on average RM17.7 billions compared to only RM7.4 billions in 1997 (Malaysian Business, November 16, 2008: 27). This altogether shows that Mahathiriskonomism has strengthened the structure and domestic financial system which is continuously feasible until today.

In generating the financial industry's competitiveness, the style or pattern in the agenda has gained profit, where formerly in 1997 it was merely dependent on profit based on lending especially corporate loans that moved in 2007 to a more based upon profit from diverse source that balanced the profit by loans. This gives a multi sources move to financial institutions which directly will profit people who saves their money in the country's domestic financial institution. Apart from that, having learned that currency can also be made as a weapon and a cause of a country's economy downturn, the effort to strengthen the ringgit's role in the local market was implemented and successful. The strength of local financial system is the fruit of Mahathiriskonomism's management style which has also made Malaysia possess bank assets and financial institution including insurance with 90 percent which is based on ringgit's denomination that is in local currency form namely Ringgit Malaysia and has enabled protection from the risk of devaluation of dollar (Berita Harian, 21 November 2008). Moreover, the Finance Minister's statement that all national financial institutions today are unexposed to collective debt securities sub prima mortgage like what happened in the United States, and has shown that the country since 1997 has been prepared to tackle any economic threat that drives from the weakness of the current financial market and institutions.

Malaysia's move modeled after the futuristic thought of Mahathiriskonomism's paradox clearly embeds the application in the national economic management and has visibly save the country's financial system and market from a crisis that has taken place in the developed countries and the U.S financial market today. Tun Dr. Mahathir leadership clearly states that in any market, economy and the development of a country, the function of a financial institution such as banks and public funds must be protected and feasible. In the Malaysian context, compared to the U.S, the failing of poverty level in Malaysia which has only a population of 27 millions, is not as great as what that largest capitalist country is facing. The record obviously shows that Malaysia even with only a developing country status, can afford to create a success in reducing poverty rate which is somewhat astounding. From a poverty rate of 49.3 percent in 1970 Malaysia has successfully reduced the rate to 16.5 percent in 1990, and the rate is continuously decline to only 3.6 percent in year 2007, compare to its decrement of 5.7 percent in year 2004.

What is happening in the U.S is a lesson to the world, showing that the liberal capitalist practice has created 'a country within a country', where the existence of a poor community as many as 36 million people are seen to be similar with the third world country's poor, especially Africa and Asia. What is most embarrassing is that the poverty level in US has

increased noticeably, in 1998 only 3.8 million people were categorized as poor, however now the statistic of 2008 shows that the rate of poverty has increased 9.5 times or 950 percent. Compared to Malaysia, it is certain that the performance of eradicating poverty in this country is greater compared to the efforts of the White House in Washington. Tun Dr. Mahathir statement regarding the prospect of global economic crisis 2008 effects has clearly stressed that 'Malaysia will not slip into full recession next year if the country economy is well managed by the government' (Bernama, 5 December 2008). In addition, it shows that the legacy of management and the economic thoughts under the Mahathiriskonomism's concept originated from Dr. Mahathir himself has brought success to Malaysia in the long-term. And it is obvious that from the national comprehensive security concept which includes economy and protection of market for national interest is not only accepted by Malaysia through the Mahathiriskonomism's approach, but even by the U.S and developed nations, who have acknowledged this fact and in the economic crisis of 2008 that hit wealthy countries has exempted some independent capitalist elements intended to save respective countries national interest.

7. Conclusion

It is clear that through globalization the threat towards a nation's sovereignty exists and can happen. The role of United States as the source of national threat through economy that can spread to the nation's politics, social and security is evident. United States role to use their regime and other global institutes are rational and concrete. Economy is regarded as a basis of national prosperity and should always be reminded it can also be the basis of national sovereignty destruction. With the national perspective of Dr. Mahathir thoughts, the national economy and development to achieve absolute sovereignty will be difficult to perturb by global threats. The Mahathiriskonomism approach had save Malaysia even though initially Dr. Mahathir's decision was strongly disapproved. But eventually Malaysia succeeded in recovering the economy and overall national sovereignty. Dr. Mahathir was the main actor in handling the nation's economy turmoil. Thus his effort and approach had proven successful and respected worldwide. Malaysia should be proud and bless to own such a brilliant thinker. The sustainability of Malaysia's sovereignty from global threats should constantly be protected. The development of Japan utilizing the Meiji Recovery program in 1868-1912 has been continuously studied and analyzed to this date. Thus Malaysia should be proud with Mahathir Recovery as the foundation to be a developed country in 2020. Mahathir's approach that dares to take risks in the economic environment has made Mahathiriskonomism a successful and worldly recognized approach to solve risk during politic, economy and social trouble threatening the stability of a country.

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Table 1. Status of the country's financial sector in 1997 compare to 2007

Detail	1997	2007
Number of Banks	71	9
Average assets	RM 13.2 million to RM6.6 billion	RM 38.3 billion
Overall profit before tax	RM 7.4 billion	RM 17.7 billion

Source: Malaysian Bussiness, November 16, 2008: 27.

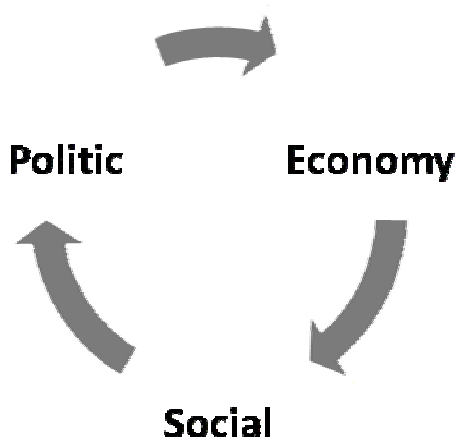


Figure 1. The Crisis Rotation of the Conventional Global Three Functions

Source: Md.Shukri Shuib. 2007; Md.Shukri Shuib, Mohamad Faisol Keling and Mohd Na'eim Ajis. 2008.

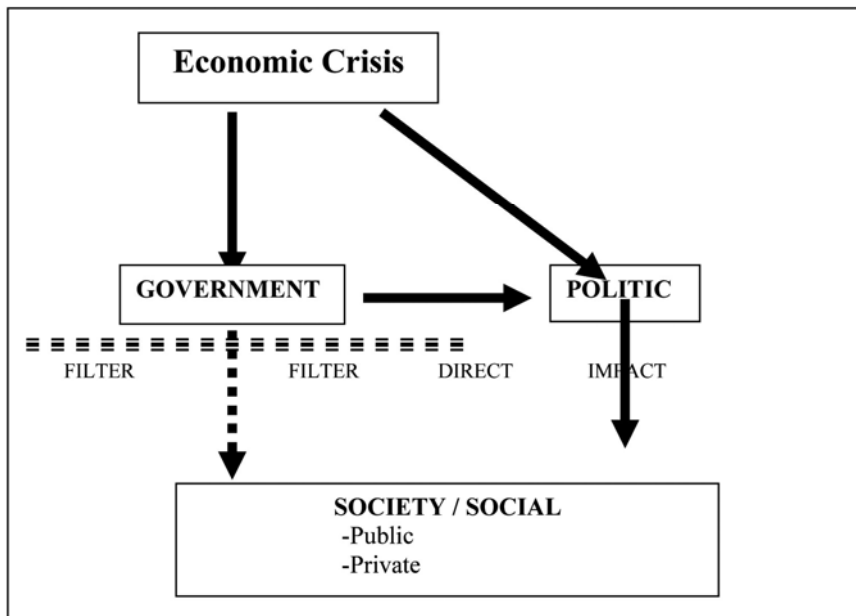


Figure 2. The Level of Impact of the Economy Crisis 1997 On Mahathir’s Politic and Economy
Source: Md.Shukri Shuib. 2007; Md.Shukri Shuib, Mohamad Faisol Keling and Mohd Na’eim Ajis. 2008.

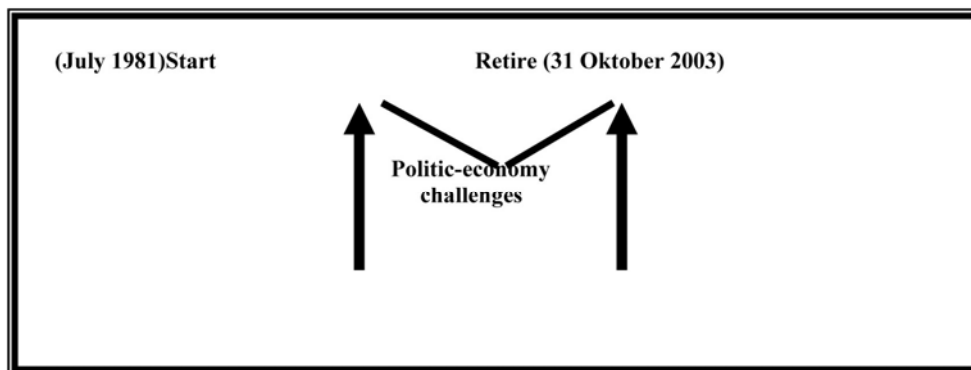


Figure 3. The Model ‘M’ Politic Economy Of ‘Mahathiriskonomisme’
Source: Md.Shukri Shuib. 2007; Md.Shukri Shuib, Mohamad Faisol Keling and Mohd Na’eim Ajis. 2008.