

# Dialogue with Dr. Mahathir: Why Malaysia needs capital controls

*On Sept. 1, following the Bank Negara's release of a statement announcing the imposition of capital controls, and setting an Oct. 1 deadline for repatriation of offshore ringgit, Prime Minister Datuk Seri Dr. Mahathir bin Mohamad gave a televised briefing to the nation on the measures. He was interviewed by senior journalists and economists: New Straits Times Press Group Editor-in-Chief Datuk A. Kadir Jasin, Bernama Economic Service acting Executive Editor Yong Soo Heong, and Public Bank Berhad's Director of the Economics Division Nasaruddin Arshad. The following are excerpts of his briefing, released by the state wire service, Bernama. Frequently, Dr. Mahathir is addressed by the honorific, Datuk Seri.*

**Q:** Bank Negara announced at noon today a series of measures to insulate and protect the economy to minimize the impact of the global financial turmoil on our country. These include the establishment of a fixed exchange rate for the Malaysian ringgit and making the ringgit tradeable only in the country. The Bank Negara Governor will soon be fixing the value of the ringgit.

Why are the measures being taken now and what are the benefits to our country?

**Dr. Mahathir:** This measure became necessary because when the ringgit's value is in an unstable situation, business could not be continued in a way that would be profitable.

Another point is when the ringgit's value is brought down, our income will be reduced, particularly when we want to buy goods from overseas. In a situation like this we will become poor, the country will become poor, the government will be poor, and the public at large will also become poor.

They will need more ringgit to go overseas or to buy imported goods. As their income has not increased, they will directly become poor.

We have to fix the value of the ringgit permanently so that traders and individuals will be aware of their financial position, and with that, the economy will operate well.

**Q:** In other words, does it mean that the ringgit no longer has a value outside the country?

**Dr. Mahathir:** Yes, we have decided that there will be no value attached to the ringgit outside Malaysia and as such any ringgit held outside Malaysia will not be legal tender.

However as we know there is money outside Malaysia;

we will allow such ringgit to be repatriated to Malaysia within a period of one month from today. If not repatriated by then, we will regard such ringgit as invalid and we will not allow for the ringgit to be returned to Malaysia in any form whatsoever.

**Q:** Don't you think that Malaysia's move would be considered a regressive step?

**Dr. Mahathir:** No, it is not regressive. I would consider the present situation as regressive.

When people moved away from the Bretton Woods regime, they thought that the free market influence on exchange rate would be a better means of evaluating the relative values of currencies. But such a market has now become abused by the currency traders, who do not care for the exchange rate in order to do trade and business, but instead regard currencies as commodities which they trade in, when currencies in fact have got no intrinsic value of their own. But the currency traders wish to use it as a commodity and to buy and sell it according to their own system, which enables them to make huge profits from the same trading, while at the same time impoverishing a whole country, regions and peoples. The damage caused by them is something that has not been anticipated. And it is in fact very regressive. The world is not moving ahead, it is moving backwards.

**Q:** Is this a last resort and will the measures be permanent?

**Dr. Mahathir:** This measure is probably the last resort, as we see no other way. We have asked the International Monetary Fund to have some regulation on currency trading, but it looks like they are not interested, as they do not stand to lose in any way. We are the ones who stand to lose.

Hence we have to resort to whatever methods we ourselves can take. And what we can do on our own is to take care of our own currency.

It can be permanent. But on the other hand, if the international community agrees that currency trading must be regulated and that the range that currency can fluctuate is limited, and we see that this will enable economies to once again grow, then we will return to the free exchange rate system.

But at the moment we can see the damage done in Southeast Asia, Northeast Asia, in Russia, in Latin America and everywhere. All the countries' hard work has been destroyed in order to benefit a limited number of speculators, as if the interest of the speculators is so important that people, millions

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*We are focussing not on export activities, but on domestic activities, and that is why the government will spur infrastructure projects and the construction industry, which . . . will generate activities in 140 other related industries such as creation of jobs.*

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of people, must have their income taken away from them and become impoverished. We think that is rather retrogressive.

**Q:** How do we see our move today in relation to what has happened in Hong Kong and Taiwan, taking serious measures to stop speculation of their currencies?

**Dr. Mahathir:** What is obvious is that people can no longer stay with the so-called free market system. They need to take some action which is contrary to the philosophy of the principles of the free market. However, they have not gone far enough.

We feel that we should really control foreign exchange to the point where it cannot be traded at all. The ringgit cannot be traded at all, so that we regain control over the exchange rate involving our ringgit.

**Q:** How does this new measure reduce speculation?

**Dr. Mahathir:** Normally the ringgit is used for speculation offshore, ringgit belonging to foreigners, particularly ringgit belonging to currency traders. They hold the ringgit in foreign banks, but, since the ringgit is totally valueless outside of Malaysia, they trade and sell the ringgit, and in any case there is a corresponding account in a Malaysian bank, and whenever they trade and sell the ringgit, it is not only reflected in the foreign banks, but also in banks in Malaysia.

What we have done, of course, is to freeze completely the accounts that are in the Malaysian banks. Even if they sell ringgit outside of Malaysia, that will not have any effect in moving the ringgit from one account to another. In other words the actual ringgit, the ringgit in this country, will not be sold at all, because the account does not move. The trading outside Malaysia is totally meaningless, because they are trading in something that has not affected the real ringgit in the country.

They can buy and sell the ringgit, but it will be useless ringgit, because that ringgit—even if somebody buys it—will not be allowed to come into the country later. We will allow within one month, but not after the one month. Since the ringgit is only legal tender in Malaysia, and it cannot come into Malaysia, then it is useless ringgit.

So anybody owning such ringgit after one month will find they are holding accounts or papers which are of no value whatsoever.

**Q:** Will this move bring about a bad image to the country?

**Dr. Mahathir:** It will not cause a bad image for the country, except of course for currency traders and probably certain members of the media who will not be very happy.

But as far as investment is concerned, foreign money can still be brought into the country, exchanged into ringgit, used in Malaysia to invest in whatever, including the purchase of shares or buying properties or setting up industries. When they do business and want to take out the money, they can apply to the central bank for permission to take out the money, and we will still allow the foreign currency to be given to them in exchange for the ringgit that they have, and taken out of the country according to the needs. For example, if they're going to purchase components from some countries in a foreign currency, they can obtain the foreign currency.

So investment is not affected by this, except investment in shares, because that is considered hot money. If they want to invest in shares, they can, but such investment must stay in the country for at least one year. They cannot come and invest and then dispose of or push up or down the value of the shares.

So as far as investors are concerned—genuine long-term investors are concerned—this will facilitate their investment, because they will know exactly how much money to bring in, because the exchange rate will be fixed; and if they make any profit here, and they want to remit their profit back home, then they can change the profits made here from ringgit into whatever currency, and that currency can be remitted out of Malaysia.

There will be exchange, but there will be no trading in the currency.

**Q:** Will this remove elements of uncertainty?

**Dr. Mahathir:** Yes, certainly. People will know exactly how much ringgit they will get from the foreign currency they bring in, and they will know how much they can expect to send out of the country from the profits they made, because the exchange rate is fixed and they don't have to do the purging anymore.

We can require them to stay with their investment for at least one year before they can sell off. That is being done in some countries.

That will reduce the kind of speculative activities. What has damaged the stock market is this practice of buying a

share repeatedly, so as to push up the value of the share to a high level, so much so that the price of the share bears no relation with the performance or assets of the companies. It's way beyond . . . once it reaches a very high level, the investors will dump or sell off completely, take the money and go out of the country, leaving the locals with this company, which has lost its value, and, probably it had borrowed money based on its share value. Now, the amount of borrowings is much less than the collateral, in terms of share value, and the companies are landed with non-performing loans [NPLs] and the companies will not be able to perform.

We do not want them to come in and do that kind of thing. At the moment, what they are doing is just the opposite, they're pushing down the value of the shares until it goes well below net asset value and the cash the company may have goes down very well below.

At that stage, if we allow them to buy the shares, they would have got hold of the company at a very low price. Once they got that, they can do two things: They can control and rebuild the company, or they can get rid of the assets, take the money and let the company perish. So that is asset stripping.

**Q:** Are we suggesting that we have enough foreign exchange to meet our commitments?

**Dr. Mahathir:** Yes, because we are exporting more today than we are importing. Of course, the services account is slightly less in our favor, but it is not very much, and the surplus for the trade account would be sufficient even to pay for our service deficit.

At the same time, of course, we are reducing the service balance, for example, through using our own ports and using our own insurances and reducing the number of students studying abroad.

These are measures we have taken to reduce our imbalance in the services account.

**Q:** So it shouldn't be a problem even under abnormal circumstances for us to have the foreign exchange, if there is demand, for example, higher than normal?

**Dr. Mahathir:** This could very well happen if, for example, the foreign currency holdings in the country . . . the foreigners would want to take out their money, they would then have to change their ringgit into a foreign currency and take the foreign currency, and they have to justify why they are taking it out, otherwise obviously it will harm our economy, and we do not want their activities to harm our economy.

But if they have valid reasons, for example, if they want to use the money to purchase something, then they can convert and purchase whatever it is, and bring it back into the country, or they may want to use the money to buy palm oil and export the palm oil.

But if they export the palm oil or anything at all, the requirement is that all earnings from export must be brought

back into the country and must be deposited with the central bank.

**Q:** What if there are people who do not bring back the money within the one-month period? Would we be stepping up the regulations at the entry points?

**Dr. Mahathir:** If they don't bring back their money after one month, that money cannot be brought back.

**Q:** What about smuggling, can they smuggle the money [through] accounts?

**Dr. Mahathir:** Accounts, they cannot, because our banks would not allow for any money held outside the country to be transferred to the local bank accounts; but if they want to bring back cash, the capacity to do that is, of course, limited. We are now going to demonetize the 500 and 1,000 ringgit notes so they cannot bring it back, unless they carry in very small denominations, which would be very difficult to carry.

We will check on that, but if they don't bring it back within one month, then that money will be useless. If they are caught bringing in the money, we will have to say that it is not money anymore.

**Q:** We often hear of offshore ringgit and it is estimated that such offshore ringgit had reached a value of 100 million.

**Dr. Mahathir:** Actually, in terms of cash, there is only 100 million outside the country and that we can repatriate within one month. If they don't, of course, the money is just waste paper. It's worth nothing at all. If they try to bring it in, we will stop them and we will confiscate such money.

**Q:** How much is the offshore ringgit account?

**Dr. Mahathir:** That is much bigger. That is more than 20 billion certainly, maybe even 25 billion. But that money, of course, is outside of Malaysia, [and] even now has got no value. In order to give it value, they must hold a parallel account in a Malaysian bank. When they do that, we will negate the value of that currency by stopping any movement of the account in the Malaysian bank. They cannot move the account; in other words, they cannot sell the ringgit, because if they sell the ringgit, the ringgit in Malaysia will not move. So, effectively, the person who has sold, is still the owner. And whoever buys it, buys nothing, so it is not worthwhile for them to purchase the ringgit anymore outside the country.

The only thing for them is to transfer the ringgit completely to Malaysia, and they have one month to do that, which means that the ringgit in Malaysia will now be put back into circulation. It can be used to purchase goods, houses, or whatever. Profit from palm oil export, for instance, must be brought back, otherwise they will be in breach of the regulations and action will be taken against them and the bank involved. . . .

**Q:** On manufacturers, don't you think that these new measures will add some transaction costs to them?

**Dr. Mahathir:** Probably it will add some transaction costs to them, but it will be much less than the hedging that they have to do when the value of the ringgit fluctuates. As you know, sometimes people require as much as 15% commission in order to take care of possible fluctuation. But when the rate is fixed, you don't have to bother to hedge, so that reduces your cost of doing business, and also, of course, payments and all that; when they are made much later, it will not be subjected to devaluation or revaluation, for that matter. So business would be much more easy to conduct.

**Q:** How long have you been looking at this matter, but yet we have gone ahead with measures that did not work . . . ? How long have you been looking at this option, because this is seen as rather radical?

**Dr. Mahathir:** We have looked at other ways of trying to stabilize the exchange rates as well as the share prices. As you know, initially we had stopped the movements of cash across the border but, that was, of course, ineffective, because they can go . . . move all kinds of documents and papers and checks and all that, so that was totally useless.

We also tried to force people buying shares to bring the scrip, but because some shares are traded within nominee companies—actually there is no changing of ownership, because it is still with the nominee companies, so the trade can go on within the nominee companies; so all these things we have examined, and then finally we decided that the only way we can manage the economy is to insulate [ourselves] from the activities of the currency traders and the share-market speculators.

To do this, we have to take the exchange away from them. At the moment, they are holding the exchange, and the problem with other action is that, every time we try to help our economy, they tried to block it. For example, if we try to reduce the interest rates, they will push down the value of the shares, they will push down the value of the currency, so that creates a lot of damage to us. Each time we try to do anything, they will fiddle around with the currency and the share market. When we tried to create Dana Harta and Dana Modal, they knew that in order to operate these institutions, we will need [to borrow] more money.

The moment we announced that, the rating agencies came in and downgraded us. Our credit rating was pushed down until it is almost at junk level and, therefore, the cost of funds becomes higher and the ability to implement this is restricted; and so you can see that as long as they can fiddle around with this thing, we cannot do very much to rehabilitate our economy.

So the most important thing is, how do we erect a barrier between them and us? And what we have done, actually, is to negate their ability to interfere in the value of our currency,

in the stock market, etc. So once we are relieved of that, we can now look into the internal economy. We can now actually reduce the interest rates to a level that will help to revive the businesses in the country. For example, the NPLs will no longer be NPLs, if the interest rate is reduced. At the same time, we were forced to reduce the time to declare a loan as non-performing from six months to three months, and doing that, of course, increases the number of NPLs. So now we are less bothered about what they want to do to us.

In many countries there is no time limit for NPLs . . . it is nine months or six months . . . so we can now think about doing that. There are quite a lot of things we can do. For example, we can revalue our companies according to their net asset values, because now the share prices are ridiculous. It is below the asset value of the companies, or sometimes the companies may have a huge amount of cash, and yet the share prices have gone very far below . . . so then we can now revalue our companies; and once we revalue our companies, then the NPLs will not be as bad, because the collateral using the value of the companies would now appreciate again, and will go perhaps above the value of the collateral before. So there are a lot of things we can now do, because we do not have to fear their actions to stop us by devaluing our currency or by pushing down our share market.

Once we regain control of our exchange rate, then we can actually reduce the interest rates and not have somebody devalue our currency, because we are in control. Then our companies would be able to revive. They can now borrow more money, and if, in addition to that, of course, our ringgit is revalued upwards. Then if companies have to borrow to purchase something from outside, they would not need so much money as they do now, because, where before they were borrowing RM 2.50 to buy one dollar worth of imports, now they have to borrow 4.20, and when they borrow 4.20, then, of course, the cost goes up for them, and they become no longer viable. But if we revalue the currency, then they will not have to borrow so much, and at the same time the companies' value will appreciate.

**Q:** Do you see this move as protecting the country from the turbulence in other markets that we have seen falling? With this move how do you see the Malaysian market?

**Dr. Mahathir:** We will not be affected so much by what happens to other markets, otherwise, you know, they have this so-called contagion effect, anything [that] happens in Russia will affect our share market and our currency. There is no connection between us and Russia, that it is going to affect presently, but with this we can determine whether we want to respond or not. It is important also for us to know the exchange rates of other countries, because we are competing with them. Suppose our competitor currencies get devalued and we remain too strong, then we cannot compete with them, so it is important for us to watch what is happening in the

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world. If they devalue, we can devalue our ringgit to a certain extent, without affecting too much of our economic performance, because even though we devalue ringgit, that ringgit is actually stronger than a lot of other foreign currencies.

Malaysia is a trading nation, . . . it is important for us to be able to compete. If we strengthen the ringgit too much, then we will not be able to compete with our neighbor, our competitor. On the other hand, if we strengthen our ringgit, we would be able to buy our imports at a lower price, and therefore we can also sell in our country at a lower price. But, on the other hand, our earnings in terms of ringgit would be less, for example. Our palm oil, which we export, is earning us much more money, almost \$1,200 more money than before. If we strengthen our currency, then our earnings would be less.

We can, for example, subsidize our imports through taxing our exports. Supposing our imports earn much more, not through their efforts, but because of our exchange rates, they earn like palm oil. We may have to have a windfall profit tax, and that money should be used to subsidize imports, such as sugar, which will go up in price and we will control the price of sugar by subsidizing the price of imports.

**Q:** How will our relations with the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO), and the rest of the multilateral organizations be conducted? Will it in any way affect our relations?

**Dr. Mahathir:** Well, it might affect [them]. It all depends on whether they are interested in our economic recovery or they want to do something for other people. From what we see, their actions have benefitted the currency traders, have benefitted foreign companies which can buy local companies cheaply. All these are not to our interest. If they really profess to have concern for developing countries, then they should accept what we have done as a good thing. As you know, for what the IMF has done, it has come in for very strong criticism. Because initially they thought only the countries in Southeast [Asia] are going to suffer. But today you can see the whole world is suffering and Dow Jones has gone down by another 500 points, and, of course, their reaction to it is, strangely, quite different. Whereas, when we were in trouble, we were told to increase our interest rates; but when they get into that kind of situation, they have decided to lower the interest rates. So it seems that the

prescription for poor countries is to make them poorer, and for rich countries is to make them richer.

**Q:** Despite the evidence we see today, the IMF and other international agencies are not very keen to come in and stabilize the economy. Despite the fact that that is actually their mandate. Can Datuk Seri enlighten us: What is the rationale that they are not helping us through?

**Dr. Mahathir:** They see in our trouble a means to force us to accept certain regimes. They want us to have reforms, meaning to say we should open our market wide for foreign companies to come in and do business without any conditions whatsoever. Their help is always based on that. . . . We will give you the money provided you open up the economy. And when we open up our economy, we will, of course, lose control of our economy—all our companies, all our banks, and all our industries will belong to foreigners.

In Malaysia, in particular, we are in the process of restructuring the economy; we can't do that, because they will object to any conditions being imposed upon them. So the IMF should, in fact, be helping developing countries which are in financial trouble, but it wants to use the financial trouble in other countries to enable the giant companies from the rich countries to come in and take over the economy. That seems to me to be their objectives, rather than helping. Of course they say "reforms," but reforms to them means something beneficial to the developed countries.

In fact, among the speculators they actually say openly, "we want to see blood." In others words, we want to see killings. You know these companies must be killed, that is a measure of how serious you are about reforms. I can't understand that, because we have seen blood enough. In some countries, millions of workers are unemployed now and they have no food, no medicine, no milk for their children, and all these people can think of is that this is the price we have to pay for the reforms and reforms are good for you.

**Q:** Datuk Seri, in this regard do you see that this move taken by us can put a spanner in the works of the speculators?

**Dr. Mahathir:** We think so. That is the purpose, in fact. We have to take the speculators out of the currency trade involving the ringgit. Because, of course, currencies need to

be changed in order to trade—to finance trade. That we can do without the speculators. We can do even without the hedge funds.

**Q:** Datuk Seri, do you think other developing economies will come forward and do the same thing we have done here?

**Dr. Mahathir:** Well, there are signs that people are losing faith in the operations of the free market. That's why Hong Kong went in, in order to curb the speculators. Now Taiwan has given warning to [financial speculator George Soros] not to come to Taiwan, and China has refused to allow its currency to be freely convertible. Now Russia has second thoughts, they may even go back to communism. Of course we have seen what Chile and Slovenia have done. People can really find that, when the system is abused and they suffer, then they are prepared to change. But some countries apparently benefit from the abuses.

**Q:** There is talk that following the implementation of these measures, deposits, people's savings in banks will be frozen. Is there any truth in this?

**Dr. Mahathir:** There is no reason. There is no reason. The internal economy is not touched in this matter. The domestic economy will become stronger, traders can trade without being disturbed by the fall in the value of the ringgit and share prices. The domestic financial system will become stronger and there is no reason for us to freeze fixed deposits, for instance. The money in the bank is safe and will not be touched. . . .

**Q:** From Jan. 1 till June, our economy contracted by 6.8%. How do we explain this to the people, as many are not clear as to what this contraction means?

**Dr. Mahathir:** If we want to take into account trading and economic activities, we can create wealth through this. But if there is less trade, fewer economic activities, there will be less money. This is what is happening. The question is, why is it happening? For instance, we are producers of microchips for computers, but the demand for this had fallen, because the whole of East Asia had become poor, unable to buy computers and so on. In Europe, also, demand had fallen, and America is unable to sell computers to developing countries, as they make computers, but not all of them are sold in America, which has a lot of money, and they need to export, and their own markets [in East Asia] had been destroyed.

For instance, we are a market for Boeing aircraft, but now, we no longer buy the aircraft, as tourism has fallen, and the need for such planes had fallen; and so, we are not buying and the U.S. economy will decline; and when the economy declines, the market for our goods also becomes smaller.

The Japanese market had also declined, and so demand for our usual exports to them had fallen, and this had resulted in our trading and economic activities contracting by 6.8% and not from January to June but in the second quarter (three

months) from April to June. From January to March (first quarter, first three months) it contracted by 1.8%.

**Q:** Do you expect measures being taken will lead to a lower contraction of the economy, and probably in six months result in a slight economic growth, or at least some growth?

**Dr. Mahathir:** I'm confident there would be some growth, because now we are focussing not on export activities, but on domestic activities, and that is why the government will spur infrastructure projects and the construction industry, which means we will spend a lot of money. The construction industry will generate activities in 140 other related industries such as creation of jobs, demand for building materials, and if people have disposable income, they will spend, and all these will mean economic activities. But we have to remember that, if we have money, but do not spend, or do not save in banks, but keep it at home, the money will be meaningless to the economy.

But, if the money is used 10 times daily, it will have the multiplier effect, and every time it is used, there will be people who will have money; and the people with money will, in turn, spend it and make profit and the profit will generate the economy. So, in this way, we can develop our economy and that is why we would like to see, for example, more houses being built and bought, and we find that the market for low-cost housing is still very good, so also medium-cost houses, and if traders make profit, even luxury houses can be sold. We like to see our economy revived in this way.

**Q:** Datuk Seri, do we have any changes to our investment policy?

**Dr. Mahathir:** No changes to our investment policy: They will still have the same treatment, privileges, tax-free incentives that we normally give. They will have all those, and at the same time they can bring in money, and they can take out money that is theirs, if they make a profit. Yes, they can take out their profit, and in order to make a profit they have to produce something which they sell. And we'll benefit from their activity of selling, especially if they export—if, say, they export \$10 million of goods, they will bring back that \$10 million, their profit may be \$1 million. That \$1 million—take it and repatriate it to their country; we don't mind that, but they have to earn the profit first, before they can repatriate; they can't simply take the money here and convert into foreign exchange and then send out.

**Q:** You have said that the government will spend huge sums of money for infrastructure projects. Who will build these projects? Will the government reassume the role of implementors, or will the government continue to do so via privatization?

**Dr. Mahathir:** I always believe that the government is less efficient. That's why we go for privatization, and it doesn't matter if the money is from the government or the private

sector; what is important is money changing hands. When there are economic activities, money will change hands, whether from the government to the private sector, or between the private sector itself or to the workers, suppliers, the transport industry people, all these will happen if we spend money. Government or private sector is not the problem; what is important is that money is moved around and not just being kept idle.

I'm confident that if the value of their shares once again is commensurate with the net assets, and the value of our currency is again stable, the companies will recover; if not fully recover, at least their NPLs will be reduced, and they can borrow once more. If they can borrow, they can carry out economic activities and make profits and profitable activities will enable them to repay their loans and in this way, they can be revived.

**Q:** Datuk Seri, there must be a sense of urgency all round in reviving the economy.

**Dr. Mahathir:** Yes, I hope that everybody will understand that time really means money, everybody must work harder than usual. In the government, I expect the people to work day and night to help the economy to recover. Ministers have been instructed that they must work day and night, they must go and see what's happening on the ground, not enough by just

giving direction, go back and sleep; no way they can work that way now. And government officers have been told, everybody has been told, that you must work extra hard, because we are facing a very difficult economic situation and the only way we can overcome that is really to work very hard and not allow your kind of easy-going way to interfere with the economic recovery in this country.

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## Commentaries

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# The era of free trade is over

**Patricio Ricketts, "Russia Says Goodbye to Adam Smith," in the Peruvian magazine *Sí*, Aug. 31.**

Ricketts discusses how free-market reforms adopted by the Russian government brought the country to its current disaster. He reports that in the midst of the Russian crisis and global turmoil, there are the words of Lyndon LaRouche, "the greatest prophet . . . (who for years has been forecasting these developments, in great detail and even with exact dates, a fact which takes all the economists by surprise . . .), and repeated again that the Russian crisis, like the Japanese, the Thai or the Mexican, far from being local phenomena, are the expression of a single systemic crisis . . . and from which neither Wall Street nor the City of London, or any other center of financial power, will escape."

Ricketts also references the work of Russian economist Sergei Glazyev, and quotes Gennadi Seleznyov on Russia's need for an industrial program and protectionism.

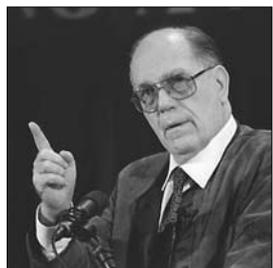
**Dr. Sergei Glazyev, in an interview with Interfax, Aug. 26, as reported by the *Foreign Broadcast Information Service*.**

Dr. Sergei Glazyev, former Foreign Economic Relations Minister of Russia, now adviser to the Federation Council (upper house of Parliament), warned that without follow-on measures to mobilize the economy, the debt freeze announced by the Russian government will set the stage for further collapse of the banks. Glazyev said that the Russian Central Bank has been "the main culprit, as regards the serious errors that led to the present scenario of a self-fuelled financial disaster." Whether the financial system can improve, with the appointment of Viktor Chernomyrdin as acting Prime Minister, depends on what the cabinet and the State Duma (lower house of Parliament) do about the Central Bank, Glazyev said.

## THE WORLD FINANCIAL COLLAPSE LAROUCHE WAS RIGHT! An EIR Video

What does Indonesia's Minister of Economy, Finance and Industry, Ginandjar Kartasasmita, know about the global financial crisis that you don't?

Here's what the Far Eastern Economic Review reported July 23: "It seems the IMF isn't the only organization



supplying economic advice to the Jakarta government. . . . [Reporters] were surprised to spot, among [Ginandjar's] papers, a video

entitled, 'The World Financial Collapse: LaRouche was Right.' Lyndon LaRouche . . . has been arguing for years that the world's financial system was on the brink of collapse due to unfettered growth in speculative funds; he says now that the Asian crisis is just the beginning. . . ."

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