

The Importance of Free Markets to Islam and Muslims



Minaret of Freedom Institute Eighth Annual Dinner

With Anwar Ibrahim, Ph.D.
Oct. 23, 2005

[Edited Transcript]

Dr. Imad-ad-Dean Ahmad:

We are very grateful to have Anwar Ibrahim as our speaker. As Finance Minister of Malaysia he was one of the contributing factors to the success of the Asian Tigers, the dynamic economic prosperity of a number of South East Asian countries, Malaysia one of them. He deserves some of the credit for that. As an economist, he understands economics, but he is one of those rare people who, in political life, wants to apply that knowledge in a good way, not just seeing politics as a way of giving benefits to your friends. I'm going to ask my dear friend Aly Abuzaa`kour to introduce formally our speaker for tonight.

[APPLAUSE.]

Aly Abuzaa`kour:

Salâmu alaikum.

Audience:

Wa alaikum as-salâm

Abuzaa`kour:

May God's peace be with all of you. It is my honor and a really special moment to introduce to you Brother Anwar Ibrahim. If I tell you the first time we met—you'll be shocked, because in those days, in 1976, in Riyadh, Saudi Arabia, he came out of the prison and I was also out of the prison. Since then I have been following the development of Anwar Ibrahim as an individual, and also the development of Malaysia, as a country. I can claim to be a student of Malaysia and student of the Muslim World in general and when you look at the Muslim leadership, sometimes we are trying to find out who are the individuals who can navigate the Muslim *ummah* through the difficult times we are passing through. We are the *ummah* that really deserves more attention from its followers and needs to get its act together. When Anwar worked as an official in the Malaysian government, and he moved from Minister of Education to Minister of Finance and to the Deputy Prime Minister, the Malaysian experience itself became the model of Muslim renaissance in the 20th century. Unfortunately, things developed in a different way. God has His own ways of telling us that you might dislike some events but in them there is goodness for you. In His final wisdom we accept whatever God has prescribed for us.

Anwar has become one of the sound figures in a world filled with disillusionment; but also he showed us during the situation through which he was tested that he was also a man of patience. In this moment I think his wife, Sister Dr. Wan Azizah, deserves a lot of credit for communicating the issues of the family and the issues of Anwar around the world, and his issue can be explained in many ways. He is a voice of Muslim moderation, a voice of Muslim modernity.

Today, we need to come together as Muslims out of this sad state of affairs. How we can develop our understanding of revelation and apply it to our world today? Through his efforts and through the efforts of International Institute of Islamic Thought (IIIT) group, the International Islamic University (IIU) of Malaysia became a model in Islamic in Muslim education. But today, Anwar is here, not to speak about democracy, not to speak about the human rights, not to speak about justice, to speak about something that is so dear to him, the issue of the importance of free markets to Muslims and Islam. And since he worked more than 8 years as the Finance Minister, I can tell you that the issue of the Malaysian tiger, he has made a lot of efforts to make that a real tiger, not a paper tiger in economics.

In the days of the early Islam, one of the companions, Abdur-Rahman ibn Awf, migrated from Mecca and left everything behind. When he came to Medina as an immigrant (and many of us here are immigrants) he told the Prophet and his companions, “Show me where is the market?” The market place, that’s all he needs. It is written in the books of the *sîrah*, that when Abdur-Rahman ibn Awf passed away, he left a wealth uncountable in the days of those times. He was so capable as a merchant, as a businessman as we say today, that he made great wealth in a manner known today as a model of individual work and individual entrepreneurship. I think its time for you and for us to listen to the words of our dear brother who really honored us by coming today with his beautiful wife Sister Wan Azizah to talk to us about the topic that we have chosen that is so close to the Minaret of Freedom mission. Let us welcome all together Brother Anwar Ibrahim.

[APPLAUSE.]

Dr. Anwar Ibrahim:

Assalâmu alaikum wa rahmutallahi wa barâkatu ladies and gentlemen. [Praise to God and blessings upon the prophet.] Thanks to Imad and Aly for this brilliant introduction but all I require is service back in the USA to campaign on my behalf of a certain employer [LAUGHTER]. Now, congratulations to the Minaret of Freedom Institute. Personally it means a lot to me because I share your vision that the issue of freedom or, precisely, *freedom deficit*, is a major issue in the Muslim World. When you talk about market economics, it has a lot of relevance, my dear Aly, to the issue of freedom and justice. There is no market economics without freedom and justice, because we are not talking exploitation of resources devoid of societal concerns. We are not talking about growth and development ignoring the issue of *al`adl* and *ihsân*, of justice and virtue. So, when we talk about market economics—free market—we are talking about a choice, a

free choice, the right to choose, and to acquire wealth without constraints and inhibitions, except in the defense of the rule of law and justice.

So, you have encouraged us. I have been associated with a number of Muslim organizations, and not many have the courage to promote a free market philosophy. Now, free market philosophy is not a mainstream idea in the Muslim community or in the Muslim world. There is a lot of resistance; there is a lot of misunderstanding of the issue of free market. I'm not necessarily criticizing the general perception or vision of many Muslim organization and movements because the *Zeitgeist*—the trend of the times—in the 60s, 70s of course was not free market. It was a socialistic vision: we are against imperialism, we are against American domination, you have to be a socialist to the extent that even Mustafa Shabani, the great scholar wrote about Islam and Socialism—although he did amend his views at a later stage—then was trying to articulate a vision of the times. Although that socialism was certainly not Marxism, still socialism was the narrative of the period.

Choko Abniroto started the first Muslim chamber of commerce in the world in modern times. A great thinker, a great doer, he was responsible in initially bringing all petit traders together, strategizing quietly, building an economic force—a free market strategy, approach, to build up enough economic resources with the battle against the Dutch colonial rule. He was a very strong advocate against Dutch colonialism, but focusing his attention, initially, purely on Islamic chamber of commerce of Indonesia. But even then, while fighting the communists and fighting the Dutch, he still used the term Islamic socialism, although, having the privilege of reading most of writings when I was in prison (that's the advantage of being in prison- you have all the time in the world to read [LAUGHTER]), there was certainly no inkling of his liking or tolerance of Marxist philosophy.

Now, I was reading in an article, a speech given Mohammed Ali Jinnah, who in a way was appealing for a sort of welfare state with a very strong inclination toward a socialistic sort of order. We are talking about very poverty stricken countries, so you can understand that. So that is why these figures that I mention are certainly not socialist in the term that we understand, the ideological divide, but it strengthens my earlier assertion regarding the courage of the Minaret of Freedom Institute who articulate this view.

This infatuation with socialism is well understood, because when I was in the university, it was nationalistic and at the same time very Islamic, but also in a way quite socialistic, because we saw all these capitalist barons exploiting and squandering public wealth and working with the colonial power, so that was understandable reaction. And listening to the speeches of Sukarno, he always made reference to *exploitation l'homme par l'homme?*], in the French language, about exploitation of man by man. It became virtually a slogan for the Indonesians, including those who barely understand the meaning—but it is something bad that relates to his understanding of socialism. So I'll not go into that because I think its getting to be very ... which is relevant, but mind you in the university Paul Baran's *Political Economy of Growth* was the standard text. Unlike many so called free market ideologues like Imad, I still believe there is a great relevance

in understanding Paul Baran or Ernest Feder's *Rape of the Peasantry*, or even Karl Marx's *Das Capital*, because it gives us a fair balance in our thinking, because sometimes it become euphoric and an obsession, until we have a WorldCom and a Tyco, and what else—I'm not American, I don't know—.

Audience:

Enron?

Ibrahim:

Enron. [LAUGHTER.]

Now, we accept as a failure the disaster of the socialist experiment. And the Chinese have changed course after Deng Xiaoping. The Soviet Union crumbled critically and economically. The case of Libya is much more confusing in my mind because it is difficult to place, but ... we will have to move on.

My limited experience as finance minister—although I didn't fight Mahathir, he fought me severely—but I had the latitude to steer the economic policies in Malaysia, particularly in the boom period in the 1990s. But to give credit to my predecessors, at least Malaysia was critically stable. It is a multi-racial, multi-religious country, but politically it is still stable. With a politically stable in a country you can then chart an economic program. Without that there would be major problems.

People are very kind to look at the East Asian economic miracle, citing the World Bank report, but with some humility I must admit that it was possible because the region—after the Vietnam War—was stable, peaceful. But we also had the correct economic prescriptions—the concern for a more balanced development, which was not necessarily a pure market economic proposition at that time. It was a market economy because without growth there cannot be equity. We had big battles with some of my old colleagues in the campus, in the faculty, particularly, because they were talking about equity: “Anwar, we can't forget the fact that we must have equitable distribution of income. The issue of distributive justice must be the main thrust of our economic program.” I said, “You don't have growth, you don't have wealth, what do you distribute? You distribute poverty!” [LAUGHTER.]

So, we realize therefore that you must have and introduce economic prescriptions and policies that generate wealth in the country. This means we have to introduce policies, not necessarily completely to our liking; in an area and period where there is so much poverty and difficulty, here you are promoting growth and promoting business and development. You will have a problem because, as a matter of conscience, how do you solve the problem of public housing and abject poverty in your midst? So we will have then to employ the economic policies that firstly promote growth. I don't believe that we have a way out of that. The policy prescriptions are that **to promote growth through free market philosophy, you must have the rule of law.** The rule of law: the regulations must be in place, it must be transparent, and those responsible—the authorities—must be accountable.

It reminds me of the chief minister of the government who is a close colleague of the Prime Minister who said, after a big fiasco privatizing the water dam in his state (massive losses, inefficiency, because it was awarded to his cronies), so when the disaster was made known to the public, he came out to the public statement, “Yes, I am responsible but I am not accountable.” [LAUGHTER.] You see? You can’t have a market economy without the rule of law and the principle of accountability in place. That is why I relate the issue of the free market to freedom. If you don’t have a free media, where can you expose the irregularities and corruptions and mismanagement? I’m not saying or suggesting that America is an ideal system—you have a lot of flaws and limitations; you have Enron; you have Karl Rove..., but you still have a free media that chooses to expose them (although at the time of the Iraq War or after 9/11, they didn’t because was a consensus against Muslims). The free media is a precondition for a vibrant market economy and growth policies. So you must have in the institutions of civil society in place. Failing that, you will not have the policy prescriptions implemented in the right manner.

Now, this brings us to Hayek’s *The Road to Serfdom*. I know it is controversial, particularly in the Muslim World, but I believe this is a standard text that we have to reread. Criticize by all means, but have a clear understanding and have the courage like The Minaret of Freedom Institute to articulate and debate these issues, because I believe that there is a deficit when it comes to such discussions. Look at the UNDP’s Arab Development Report, there are flaws, there are limitations, fair enough, but the fact remains, the economic policies have been a disaster. Again, economic policies relate to the issue of governance and the rule of law.

I come to the issue of, the writings of Adam Smith, because I’ve read a number of writings by Muslim economists during the period of the 60s and 70s talking about this obsession with growth without ethical consideration and moral consideration and the rule of law and etc. But if you look at Adam Smith, you must not only read *Wealth of Nations*, but also *The Theory of Moral Sentiments*. I think Adam Smith is certainly much more ethical and moralistic in his considerations, than what is generally perceived by many economists that I know [who would promote] growth and policies that will generate development without any ethical or moral considerations. That’s not Adam Smith that I know. I believe that we need to be fair given a lot credit in this issue of moral sentiment after Amartya Sen, the Nobel laureate for economics, has taken a lot of effort to expound the theories of Adam Smith, relating to the Wealth of Nations and Theory of Moral Sentiments.

Now, I’ve read Imad’s paper on this issue where he made a reference also to the 14th century theory of Ibn Khaldun, and also Ibn Taymiyya—but that doesn’t make him a Wahabbi...[LAUGHTER.].

Now, the issue of importance of trade and commerce, to my mind, is a fact. I mean there is no need to debate or continue with this course on that. Prophet Mohammed (*saaws*) also traded, Abdur-Rahman ibn Awf was the key Sahabah- keen on trade and business,

and was encouraged to do so. But it's not only a matter of trade, but of free market philosophy in the Prophetic Hadith of *Rasul Allah (saaws)*: at the time when the city of Medina had encountered some problems about the lack of food and goods and there were attempts by the Sahabah to advise him to fix prices, the answer was emphatic, "Only God fixes prices." Now this is an unequivocal endorsement of the market at the time, even at the time when there was a relative shortage of food. Of course there was a law against hoarding, the law of against excessive profit directed against imperfections in the market, in the economic system. The thrust of this economic policy is a free market—fair and just market operations. This of course is strengthened and elaborated on by Ibn Khaldun and Ibn Taymiyyah. But it is interesting that, recently, John Hicks, the Nobel laureate in economics, stated that he was amazed by the unequivocal endorsement of the free market by Prophet Mohammed (*saaws*). On a humorous note, he stated that Prophet Mohammed must have been eligible for membership in the Mont Pelerin Society. [LAUGHTER.]

Now, let me then move on to the experience I was talking about: when the World Bank published this report, "The Asian Economic Miracle," (there was an initiative by Lester Pearson, if I'm not mistaken, completed during the time of Jim Wolfenson, leaders in East Asian were gloating, "Look we are the shining example of progress and development, etc, etc." I was the only Minister of Finance in the region that gave a word of caution. I said, "Look, why do we consider ourselves a miracle? Why consider economic development a miracle? A miracle, particularly in the Islamic or Muslim context, is something miraculous... We become lulled into complacency because we think that it is a great event. I thought it was a mistake for the World Bank to conclude that that was a miracle. Yes, the growth was between 8% to 10%. Yes, hundreds of millions of people were saved from poverty. Yes, it was a free market policy. But, no, we were in abject poverty. There was no free media. There was no rule of law. There was no economic empowerment—I mean, the issue of empowerment wasn't there. (Of course, I was articulating it in a more moderate sense, because [LAUGHTER] otherwise I would have been sacked then!) [LAUGHTER.]

Well, of course, you can see this sort of a tension, but not that I thought I would be dishonest, but everybody praised excessively, particularly in the Muslim world. The Muslim world considered this a major success compared to Senegal, Mali, Bangladesh. At that time I was Deputy Prime Minister and Minister of Finance—I wouldn't say that we should be condemned, but I was looking at the figures—look at the corruption index, from then and now. Now, we are still number 39, not as bad as many Muslim countries [LAUGHTER.] Look at our freedom index, particularly media freedom: we are number 151—close to Libya. [LAUGHTER.] I was asking the President of the Party (because I am just an advisor), check the facts: Of the 151 Muslim countries that you know, with the exception of 1 or 2, they are still controlled by tyrants. Now, certainly this is not something that you can gloat about!

In the competitive index, we have plunged. Investments: now, we have China and we have India. We are lucid. At that time, I did question, not to condemn Malaysia, but to say, "Look, we should have humility." (Always I quoted at nauseam T.S. Elliot's reference to the issue of humility when he said, "The only wisdom one could hope to

acquire is humility; humility is endless.”) I remember when the International Islamic University had to confer this rare honor to Dr. Muhathir, so everybody was praising him, so I said yes, he is a great leader, articulating for the behalf of the Muslim World, attacking the Americans and the West, fair enough. But I referred to this quote on humility by Elliot, and I think he understood that: I was sacked. [LAUGHTER.]

Regarding criticism of America, who in the Muslim World, had the toughest position vis-à-vis the Americans? Saddam Hussein. Does it make him a hero or a person who can be considered a credible leader, who can represent the sentiments of the Muslims or the conscience of the Muslims? No, because, while I’m clearly opposed to the war in Iraq and the American occupation in Iraq—there is no question, no compromise on that—but I know for a fact that Saddam was responsible for killing of hundreds and thousands of Muslims in Iran, in Iraq, and in Kuwait. This cannot be forgotten. But people are gullible. You can be forgiven for the crimes, as long as you are anti-American; and this is also a disease.

I’m not using this to deflect criticism of Washington by Muslims (or non-Muslims for that matter—and, you know, many, many non-Muslims are taking a tougher position on this; it’s not a purely Muslim issue—it’s an issue of justice; it’s the issue of peace; it’s an issue that affects humanity at large). What I resent (and this is a reference to my position vis-à-vis the Malaysia equation and whole Mahathir matter) is that people are allowed to squander billions of dollars and go on with impunity, just because they take a position against the West. This shows the utter gullibility, inconsistency and hypocrisy not only of that particular leader but also the Muslims at large, their shallowness, their ignorance of the situation. It is our duty, including our friends in The Minaret (because a minaret is something very high up) to have this understanding so that you emit enough light and knowledge to the masses.

What then? What did we do? We were registering, at that time, 9% growth. At that time, in the budget speech ... in which I started a massive program toward public housing (because to my mind, when a country is doing well, we can’t have the poor not having any houses, like I saw in New Orleans) We can’t have it; it is untenable; it is unacceptable. And a massive amount for poverty eradication program (like what the Europeans or the UK governments do in their dual sort of mentality where your unemployed, I don’t believe in that, because affirmative action policies must be designed to make people work and earn, except if they happen to be disabled or very old, or whatever. Otherwise they are poor and entire affirmative action program needs to be reviewed. I mean, I’m talking about from my limited experience in Malaysia....

Now, in the budget speech, I mentioned, this was the time the world looked very well. When I started we had a small deficit budget. Then in two years, I balanced the budget. The following year, there was a budget surplus. Because I had to deal with my boss then, who wanted to spend for the tallest building in the world, longest bridge in the world, biggest city in the world, the best airplane *for him* in the world, I had to hide intelligently a lot of funds. How did I do that? I put it under contingency—to be there in the future. 5 billion under special fund for the future generation. We put a special trust for the future

generation. Now, you have a surplus. You increase your allocation for health and education. You have a surplus. You keep some for the future generation, under special fund that cannot be touched. Now, after I was sacked, the entire money was done away with: they have squandered everything; there's nothing in the budget. We are back to a very serious deficit of more than 4% today.

Yes, and of course, I am annoyed, because we had to work very hard. I didn't reduce education and health; I increased for education and health. Again, we were in an advantage because we didn't need to buy too many MIGs and Phantoms and submarines, whatever, because we didn't have nasty neighbors. But if you are in Iran with Saddam as your neighbor, you better get yourself prepared; or if you are Palestine, with Israel as a neighbor, you better be prepared; because Palestinians are not in a position to do much. But that was it.

How do I then caution, I use the experience of *Sayyidina Yusuf, (as)* to talk about 7 years for preparation for 1 lean year. I remember many of my colleagues say "Anwar, what is the relevance of the Qur'an to the modern economics and free market?" I said, "Precisely because there's no certainty that the boom will continue forever, however smart and responsible or accountable you are, you have to have humility to accept that there are events that are beyond your control." So the best thing that we could do based on the experience of the Prophet Yusuf (*as*) in the Qur'an and in the Bible, is to prepare. So that was why I started siphoning funds—not to pocket it and keep it in Swiss banks—but siphoning them for a special trust fund for the future. And that was why, in 1997 and 1998 when we faced the economic crisis, because of the surplus, because of the big reserves, and because of the special funds we were able to withstand. **So, the allegations that we, I in particular, had to resort to the IMF and World Bank is a lie.** We did not. At no time did we apply or appeal to the World Bank or IMF for funds, because we had the funds. It was not easy—we were already in bad shape—but not disastrous compared to Indonesia or South Korea, or China, or Mexico, or Argentina before that, or even Russia after that. No, we were not. Although at that time, I was already a chairman of the Development Committee of the World Bank and IMF, so by association, and because the media in Malaysia, as you know, is number 151 in freedom, is controlled by the ruling party and the government, I had no recourse to explain my position. So, this is my "flaw" that I'm explaining.

So, I also made reference to reducing taxes because I believe in the thesis, founded by Abd ar-Rahman Ibn Khaldun. Ibn Khaldun said that with low taxes people will be encouraged to work harder and go to school; and ultimately the government earns more. That was precisely what happened! You know, when you are Minister of Finance, in 1993-1994 talking about Ibn Khaldun in the 14th century, then some of these jokers, these bankers and their analysts, "Is this guy a Wahabbi or what?" There is a difficulty in comprehending; and I am at the World Bank, where they are extremely unpopular in the developing world. So, I took a stand, and because they are a number of Chinese in Malaysia, I made also reference to a Chinese reformer, during the period of the northern Tsung dynasty, whose name was [inaudible]. This reformer, about the same period of the 14th century, took a similar position that the government, the king, or the emperor, should

not be thinking in terms of increasing taxes, because when you lower tax, you encourage people to work harder and in the process, in terms of volume, you generate much more revenue for the country. So with this, what is termed now as the 'optimum road of taxation' and if you are familiar with the Laffer Curve, it is precisely that point: you lower the tax and therefore you increase the revenue. Yaqub [Mirza, in the audience] is familiar with this. He's a businessman; businessmen want lower taxes.

Lets [ia] the point. Here, because you talk about market economic, Imad, I must remind you, because I was a practitioner, now I'm trying to be good professor at Georgetown, but as a practitioner, there is a big difference between a theoretical prescription and the action oriented programs. Now, you talk about market economics or free market, or free market philosophy, then what are the mantras then? The mantra or the *dhikr* of the economists was deregulation, privatization, what else? Basically that.

Audience:

Lower taxes.

Ibrahim:

No. You lower taxes, you deregulate; you privatize, ok, its all done, right? That is not the answer or what needs to be introduced or implemented as part of the entire program, because you do it packages. I remember a country; I won't mention the name to you because some of you come from that country, where the World Bank or the IMF insisted you must have a stock market—stock exchange. But the system's not mature, so the stock market is abused to enrich a few cronies. The system—the regulations, the laws, an issue of governance must be there. Then you privatize, because the government was controlling too much.

You've got to imagine the situation in developing countries. In Malaysia I was finance minister, there were a thousand some hundred companies controlled by the government or were under the Minister of Finance. If I take one thousand per company, I am a millionaire in a month. [LAUGHTER.] That is precisely what the chief ministers were doing. I mean, here was a chief minister of a state who was chairing all these committees—though he knew nothing about business; but, he knows a free allowance: meeting allowance, hardship allowance, thinking allowance. [LAUGHTER.] Well, hardly any thinking is involved; actually, it is squandering allowance!

Now, that is why to my mind we need to privatize. These are Washington prescriptions, and we have a problem. Every time we want to do something, "Oh, you see, you listen to the World Bank and the IM." That is a problem. You have to deal with this, so you have one sector or group that wants to preserve or protect the status quo. When they maintain the status quo, they are chairman of these companies. The moment you privatize or you deregulate, there is also a criticism because they see the flaws. What are the flaws? The flaws were that the companies being privatized—were privatize to their children and their cronies. You see, this is the flaw of the Muslim world. If you are an American, you by all means criticize America, but I am a Malaysian, I want to make sure that we do not repeat

the blunders of others and condemn our people, by allowing the few cronies to squander as long as possible.

Now, mind you also, the economists wrote regarding this phenomenon, talking about bandits. Under a feudal system, or the warlord system, either in Afghanistan or the tribal chiefs in the Middle East, they took, fair enough, but that's it. They were bandits; I mean, in real terms it was direct robbery. Now we have this new regime, very sophisticated, democratic, they conduct elections far from being free and fair because they were 99% under Saddam and 99% under the Americans. You know if Prophet Mohammed (*saaws*) were to contest elections in this World, today, he wouldn't get 99%. And this is a bad example, because—

Audience:

Because he is the Prophet.

Ibrahim:

Yes, but even he wouldn't get 99%! So, while the warlords robbed and became bandits, so were the modern sophisticated leaders, while appealing to the West. The Westerners were impressed. Karen Hughes was in Malaysia and said "is a great Muslim country." I'm going to stop there because Karen Hughes is more sophisticated than President Bush. [LAUGHTER.] But according to Mancur Olson, he said, "In fact, modern sophisticated robbers and bandits are all the same; in fact, they are more effective." They squander more because after taking what the warlords used to take, and they continue to take, they use deregulation and privatization, who did they privatize to? To their children and their cronies. And I saw this for I was Minister of Finance. What do I do?

I started by introducing in the new legislation, the anticorruption act, when I was acting Prime Minister. Then they charged me—with corruption. And you know, they didn't use the law, the anticorruption act that I introduced; they used an emergency ordinance to charge me with corruption. For what? For talking to a policeman! The charge was trying to influence this policeman. That was 6 years jail, for trying to influence the policeman under the emergency laws on corruption.

It's a small thing. I mean, at least I wasn't shot like our friends in Iraq or many other countries. I was just assaulted, which means Malaysia is getting better. They only assault you and kick you; they don't shoot you. It's very pathetic actually. The threshold for the Muslim is so poor. You know, because, the situation is so pathetic that in the kingdom of the blind, the one eyed man is king.

So, don't forget Mancur Olson, because I used to quote him a lot and many of my friends didn't quite like him. People are talking about privatization and World Bank says, "Good, these countries are now privatizing the companies." But I say: to whom? According to which rules? You mean to say only your children are qualified, and your cronies?

What happened? These companies failed, almost without exception, including the company privatized to Mahathir's son or sons failed. Then, the World Bank or the IMF

talked about a scheme, a sophisticated scheme called “The Capitalization for Banks and for Real Estate Companies.” So poor me, I have to introduce it in the parliament. We have to have this mechanism, because otherwise you just hand things over to your children. So, by a very sophisticated mechanism and rules, two billion ringgit (700 million dollars) was given to the son. You see, you squandered first by privatizing; you take the money; then you lose the money; the government will save the money; take over the government. We have Malaysian Airlines; we have umpteen companies. I’m not just using this to cite the Malaysian example, but I’m talking from a practical experience that this is not unique to Malaysia. That is why you have children of all these so called leaders in the Muslim world are all, virtually all—without exception—billionaires; and you will have to swallow this because that is the rule of the game.

May Allah give us the strength and the resolve to do something about it. My concluding statement, or remark, is to suggest that ultimately it the free market philosophy that works. Ultimately, its only through growth that you can have equity and you must have clear policy prescriptions. It has to be accountable. It has to be well regulated, because without that and without the rule of law, you will just use a different economic philosophy but you allow the plundering and the squandering to continue. *As-salâmu alaikum.*

[Applause]

Ahmad:

I want to thank our speaker very much for addressing these issues in this interesting and provocative way. I will open up this session to questions and answers, your comments and give everybody a chance to participate and to learn more.

Br. Habib Ghanim:

Assalâmu alaikum. A very excellent lecture. Have you read anything about the importance of the free media and free trade and a government that is probably democratically elected, or whatever. I would like for you to properly tell us what you think about the government in the United Arab Emirates without Shiakh Zayd (may Allah have mercy on his soul), who did a lot to help these people even though it’s not democratic or they don’t have these kinds of freedoms that probably we are talking about here. I have seen a lot of development in Dubai and the UAE, Abu Dhabi that surpasses anywhere else in the world. Does he have any ideas or comments on that?

Ibrahim:

There is no certainty that only democratic state would allow for development to take place or a fundamental shift in economic progress. China is not a democracy, but it is considered to be one of the fastest growing areas in the World, around Shanghai, if not the whole country. It has elevated hundreds of millions from poverty. The UAE is another example. Dubai, in particular, it is considered to be one of the fastest growing cities in the World. But when we talk about economic development, we talk about sustainability in the immediate and the long term. It is best to my mind, in terms of pure economic prescription, that when we talk about development, we talk about progress, we

talk about the development of man. That is why I maintain, as a Muslim, even in the context of a *Maqasid ash-Shariah*, what is the *maqasid*, what is the aim, if it is not the freedom, the *hurriyyah*, of expression and sanctity, as Imad said? How do you ensure freedom if one is not able to express himself or herself? Life, property, free expression of their views, including the issue of freedom of religion must be protected under a clear provision of the law.

Of course, you have benevolent dictatorship. You have different brands of dictators or authoritative rule. I would agree with you to the extent that Sheikh Zayd, of course, takes a bit more open view, more liberal view compared to many of his colleagues around the region; but we are talking here about the ideal prescription. What entails the future for the Muslims in the present context? You cannot run away from the principle that is close to *mutawaha*, that relates to our faith and belief that free market, free expression and the issue of freedom is part and parcel of the Muslim belief system. I think we have to work on that protection. How you personalize it is of course for each community to decide for itself. What is the best option? That is why I cannot agree, for example, for the prescription to be determined by Washington and be compelled because when you do that it becomes a disaster. Whether in Turkey or in Indonesia, the largest Muslim country in the World, you have transition to democracy without the presence of foreign occupation force or the army, but with the decision taken by the Indonesians, themselves. They make it very clear in the constitutional framework; it is not only free and fair elections that is important. Prior to free and fair elections, you must have the rule of law; you must have a free media; you must have a commission or system that guarantees free and fair elections.

Ahmad:

I have a follow up on that thought, because, in his question he used the word ‘democracy’ and I think that sometimes people confuse democracy with the things you have mentioned: the rule of law and free expression and so on. Whereas democracy can also just mean elections, hopefully free and fair elections, I think that the kind of freedoms and rule of law that you talk about are more important than elections. I’m not knocking elections. I’m in favor of elections, but I think that beauty of elections is that they provide a nonviolent means of resolving issues that in the absence of elections are resolved by violence, whereas the things you’re talking about are actually things that are, at least, helpful, if not necessary, for a free market. Your comment?

Ibrahim:

Precisely, because the problem with the American prescription, although they have devised and clarified their position enough, is that elections are the determining factor. You have elections in a period of virtual civil war. You have elections when under the threat of fear. And you can’t have elections—elections means a free choice but a democracy is not determined only by elections—you talk about democracy in America; they talk of it habits of the heart. I mean, people feel free and are motivated by even purely ethical sorts of considerations and a moral imperative to express themselves. So you must have the rule of law. People must be free to express their view. You may have numerous constitutional guarantees that you can work on. Clear ground rules are made

known to you and these are of course, enshrined, and should be enshrined, in clear provisions of the constitution and this must be present. If not there is also a fear.

They talk about the experience of Algeria. They say, “Well, if you allow for elections then the Islamists will takeover and hijack.” So there are all these problems that freedom and elections is for everyone except Islamists. This is also a problem, but if you have the institutions in place as seen in Indonesia—there are very strong Islamic parties; there are even Islamic parties that call for the formation of an Islamic state and the application of Shariah; they were allowed to contest. I wouldn’t agree with their position, but I must respect their right to espouse their view. Who, who are we to say, “Well, these groups can’t contest because they are Islamic and therefore does not conform to our thinking”? I mean, you are suppose to be a liberal—you talk about democracy—you allow them. But I believe that if you have institutions of civil society in place, clear constitutional provisions, and have a free media and have an open discourse, people will decide. In the Indonesian experience, people have decided for a moderate system of governance, wisely so. Even in the worst-case scenario (not necessarily to me), if an Islamic Party takes over power and applies some provisions of Islamic Law, you have a clear constitutional provision that allows for a latitude; beyond that it is transgressing the constitutional framework, which you cannot do. But even if they do it, then the next time around—the next 4 years—there will be elections where the people can endorse their rule or can topple their rule. Why must we have this phobia, as many Americans have? I fail to understand. I’m not saying that I support the other position; but I think to call yourself a liberal democrat as long as there is a free market, there’s freedom of expression, there’s freedom of religion—that is not to be compromised. Then it should be ok.

I do not represent the military attitude of Turkey. I think it is mockery of the principle of democracy. If you say, “the people decide”, then the people should decide. But clear constitutional provision must be there on the issue of freedom of religion, the issue of free media, of the rule of law—which means any government takes over there is latitude given, and you cannot cross beyond that. That is my position.

Audience member:

Thank you very much for the informative speech. The fact of the matter is that if you ask the rulers of most Muslim countries to give freedom of speech and transparency, it’s like asking him to step-down. [LAUGHTER.] And in fact, if there were some Muslim like you, they would be kicked out. Obviously, you and I, and all of us, we don’t agree with the extent of the intervention but what are the ways really to get those?

Ibrahim:

Yes, thank you. First, we must build this consensus. I mean, the Muslims must make their position clear. Do you want freedom and democracy for the Muslim World or not? If you have that, clear ambition, then I think they will be enough pressure. Whatever the limitations you can say about the elections in Egypt (and I don’t endorse that), it would not have happened without this sort of international pressure, including American pressure. This is where I disagree with many of our colleagues who say that the Americans should not raise their voice. I say, to the contrary, the Americans *must* express

themselves. Where we differ the Americans is on the issue of sending troops, and where we differ the Americans is their inconsistency. Why can't you talk to the Iranians or the Syrians? You can disagree with them. Why can't you talk with the North Koreans? So how do you go and talk to them and say, "Look, you are inconsistent." You can talk with North Koreans, but you cannot talk to the Iranians—I mean, what explanation can be given? "Oh, but they are rogue states!" But you have a bigger rogue you are discussing with! So there is a problem here. Does that mean, therefore, that I want to preclude the possibility of Americans raising their voice? No, I think Americans must express their view. I'm not saying from my personal case because even on my personal case of being in jail it is very difficult for Muslim countries to speak up because their own opposition members are in jail, so they didn't want to say anything lest it be insisted that their governments act in the same manner that the Americans teach (particularly at the time of Madeleine Albright). Notwithstanding that, I would like to say that the Syrians would not withdraw from Lebanon if not for American pressure, but I would also have said the Syrians must withdraw Lebanon, America must withdraw from Iraq, Israel must withdraw from Occupied Territories. [APPLAUSE.] That is consistent, but the Americans say, we will start with Lebanon. Fair. We will start at least. [LAUGHTER.] I mean there must be some amount of pressure. I agree it is not easy because people don't legislate away their wealth.

A friend of mine in the opposition, the late leader of the Islamic party, when I introduced the legislation, whispered to me, "Anwar, be careful because I think you have done something which is very, very daring; very courageous, to introduce the anti-corruption act." He said, "You know these guys are not ready to legislate away their wealth. So, when they are compelled to do that, they will do everything to strike against you." Now, I must therefore suggest that America, Muslims in America in particular, has this unique role because once you are good American citizens you wield some influence and you need now to start focusing on Egypt, then Malaysia, or Indonesia, Iran, whatever. When you take position, take a fair, just position. I don't mean to suggest you agree with everything about the Iranian government; certainly you will not. You have every right to your views; but to endorse the administration policy in regard to their attitude and intolerance of the regime, that is to my mind, not acceptable. I mean, to extent you can argue that "these people are extreme, these people are Islamist," I think it is not acceptable.

This leads me to the issue of the proper immediate crises in Iraq. The best option is still to bring all the Muslim countries neighboring Iraq to engage. There is no option—you don't have an option. You can't have a decision taken in Washington to try to resolve the problem without involving the neighbors, whether you like them or you dislike them. You learn to be civil and negotiate with them.

[Applause]

Ahmad:

I wanted to bring home the point that Anwar has just made about the importance of building a consensus. In the case of, for example, of Iran, when their previous President

[Khatemi] asked for a people-to-people meeting, unfortunately, our government prevented that from happening. I think that if people like us could have gone and met with the kinds of people I know are in Iran, that it would have had a very salutary effect on developments there. Professor Atilla Yayla will let you know if I'm flattering myself or our role, but he invited me three times to come to Turkey and I don't know that maybe that had a positive influence in the work they were doing there and was helpful to them. It would not have been helpful, obviously, to send American troops to Turkey. And I would like to call next on Mauri' Saalakhan because we have a brother who has come a long way to be with us tonight and I want him to know I appreciate it.

Mauri' Saalakhan (Peace and Justice Foundation):

Assalamu alaikum. The views of former Prime Minister Mahatir have received a lot of attention of late because of his strong criticisms of the West, and in particular, of American foreign policy. Many of these criticisms have resonated in parts of the Muslim world. What is your view on Mahathir's criticisms, and on the myriad of responses that these criticisms have received?

Secondly, I would be interested in knowing what your view is on the concept of Islamic government?

Ibrahim:

The questions are getting more difficult. [Laughter]

Ahmad:

They'll get worse [Laughter]

Ibrahim:

Now, you are right. I don't have any agreement/disagreement with Mahathir in terms of his criticism of America or Western governments. Although, I think sometimes, it gets too extreme. When we encountered the monetary crises of 97-98, Prime Minister Mahathir attacked Soros, but I know for a fact, that at that time, Soros did not use the funds to speculate on our currency, the ringgit. At that time I was in the position to advise him, "Look, we check through the figures, the Soros fund was not involved in that." He must have been involved earlier, but not at that time, a period of crises. But you know, Mahathir is smart, he wanted to deflect from the issue. He knows the Muslims are angry ... so people are gullible. You are actually lying. What was he hiding from? It's the issue of corruption, his weak economic fundamentals. It is a massive squandering of funds for these mega-gigantic projects at the expense of responsible public spending. We had big battles on that. Is it 2 billion ringgit for his son? This was hidden. Mind you, at that time before I was Finance Minister, we were involved in these major speculative funds, in Tutsila that resulted—when I became Finance Minister—in the loss of billions of dollars that we had to recover. Until now, every year it takes 500 million dollars just to cover the losses of the billions and billions of dollars—twenty billion ringgit, which is about ten billion dollars losses at that time. These are facts generally known in Malaysia, but because the media there is fully controlled—you don't have a free media, only one controlled by the government and the ruling party in Malaysia—the facts could only be

found on the Internet. Even then, from time to time, the police or the *Mukhabarat*, the Intelligence, would go and attack and sack these offices and confiscate laptops and computers etc. And I'm saying this on the record and they can't counter to my argument because we have the dates when these people were being persecuted or when these police barged in and confiscated these items.

So, the other thing I want to explain to you is: don't be too gullible—every other Muslim can be critical of the United States, but don't allow ourselves to be an apparatus or agent of these corrupt people. Take a position. We should take a position where we differ with the United States—the war in Iraq for example, but we don't need to call them 'terrorists' and they call us 'terrorists' because I think that would frustrate any efforts towards engagement. My standard example is Abu Ghraib prison. We condemn the atrocities in Abu Ghraib prison, but why do we keep silent and muted when it comes to prison conditions in our own countries? I was assaulted in our prison. I was assaulted in Kuala Lumpur Prison when Mahathir was Minister of Home Affairs and the doctor, the government forensic specialist, said that that was either to cripple me or to cause death. Was there any charge? No. Finally, because of the international media outcry, they charged the police chief and sentenced him 1-month jail. I got 6 years! Not that I have qualms about it—it's ok...lets move on. It would not give me some satisfaction for him to spend another 6 years in jail; I hope we makes *tauba* and behaves himself; that is all. I want to move with my life; but this should not recur. If I was Acting Prime Minister and could be treated in that manner, what about the poor man in the street? What about rural villager and the village headman? Who cares about him? You see this is the point that I think needs to be emphasized.

Now, do I, then, oppose Islamic State or Islamic governance? Normally, I avoid this discussion. I say everybody has the right to espouse whatever their views are. You asked my position, I am for a democratic system of government. I am a Muslim. I preserve my right to adhere to Islamic principles, and I believe in the rule of law, freedom of religion, freedom of expression, and a free media as well. These are guarantees that I am prepared to sign and give my stamp of approval. If at all, I'm given the position to influence the government these position and that cannot be compromised because this is a seal that is not negotiable. However, what about the application of specific principles of Islamic law and Islamic State? Islamic State means so many things to so many people. Mahathir, when he was in government, in order to counter the Islamic State argument by the Islamic Party, called Malaysia an Islamic State. He says Malaysia is now an Islamic state, with this messy corruption and the denial of basic freedom of expression. That is why I think this term is very much abused. You ask me; I say, it depends on what you mean by Islamic State. If it is fair, if it is just, if it respects freedom of people, freedom of religion, freedom of expression, I don't mind you calling it an Islamic State. When you have an Islamic state where there is so much exploitation, where people squander money, where they are so intolerant, where they arrest people without reasons, and detain without trial, then don't call it an Islamic State—call it a *Shaitan* [Satanic] State, whatever you want. So I think the proper thing is to—[applause].

Now, do I, as a Muslim, question Islamic law? No, what it says in the Qur'an, I'm not here to argue. I accept it. But the issue is, do I, and can I, given the present global international scenario, and the multi-racial, multi-religious country of Malaysia or with all the problems we have, do I think it is a priority? Do I think it is implementable? I say, "No, I'm not in the position to do that." What I can show is that I will try to be a good Muslim, I will try with Azizah to create, build, and to educate my children to become good practicing Muslims, but I'm not in a position to compel and apply strict adherence to the Qur'anic principle in governance given the present scenario.

Ahmad:

I'm going to state the remaining questions in abbreviated form to Brother Anwar and he, being an economist, will respond in a very economic manner. [Laughter]

The first, was from Frances Johnson, she wanted to know basically what are the elements in the rule of law, *in particular*, that you would emphasize?

Ibrahim:

Now, with the rule of law, I mean, it is clear to my mind when it comes to the sanctity of contracts, property rights, freedom of expression, this can only be realized with the rule of law. Otherwise your private property can be just taken away by the government or expropriate by the authorities. So it is quite clear. Again, Iqbal made this reference to the habits of the heart. How, then, do you educate? I think the role of education is paramount here. You must allow for creative thinking. You must allow for free expression. You must allow an intellectual tradition that is more vibrant and open, and this is what's lacking in Muslim countries. Probably also in the West, but from what I know, in Muslim countries it's a basic flaw in our system of education. It is parochial; it is closed. Today, writing on the historical analysis of our struggle for independence in Malaysia, it's so parochial that you deny even the role of every other segment. I think, on the contrary, history is not a myth, it's not propaganda, it has to be told and facts have got to be represented. You can, of course, choose to express your opinion and allow for rest to also express their views.

Now, Anwar Haddam talks about this Islamic State. Yes, Muslim movements are not homogenous—fact. I'm representing my personal view in the context of the country that I lived and with the problem with how one expound the concept of Islamic State. You see, unless it is clear, it is better not to talk about Islamic State but to explain what we mean in terms of its policies or principles or concepts, because if you do that there is some clarity. Otherwise it can be very misleading and confusing. I know people who talk about Islamic State who can be so authoritative in nature, which, I think, runs contrary to the whole notion of Islamic State. I know about people who talk about a fair and democratic government which is so Islamic in his views, like many of the corporate entities—they refer to themselves as an Islamic bank, but so exploitative in nature. There are some who talk about the issue of accountability, social responsibility, of *Qadr Hasan* principles. So therefore, I think, you do not necessarily avoid, but if you want to use the term, explain it; otherwise it is better to just confine yourself to the issues.

Now, you are correct when we talk about rule of law in the nation-state, it does not mean that we can agree with what's happening in the WTO and international community, because I think it is a mockery of the principle of justice that there are so many contradictions. I was involved some of the negotiations with the international financial architecture in the 1990s due to my involvement with the World Bank and IMF. I totally disagree with the position taken by the IMF on that because they are not in the position to wield enough influence to correct the basic flaws in inequities and injustice in the international financial architecture, and similarly the WTO. The Americans and Europeans are dictating in the battle between America and Europe and all the other countries just have to submit.

Now, Tony Sullivan, you talk about Baghdad and the ideal situation of the Bank al-Hikma over there. And Cordoba, mind you, I used this argument as far back as 10-15 years ago. It's a classic example of living together, having Ibn Rushd. And you know who's one of the major students of Ibn Rushd? It is Maimonides, the great Jewish philosopher and thinker. And so you made it a system that could allow for the mushrooming of ideas and intellect of Ibn Rushd, and a system under a Muslim government that can produce people like Maimonides. I mean, it is unthinkable in our societies, however democratic we claim to be! There were, of course, some aberrations and flaws, but to imagine that Christian scholars and Muslims and Jews working together! There were top civil servants who were Christians; there were great advisors who were Jews; and then there were Muslim rulers at that time in Andalusia. So I think that this needs to be well understood and well researched. And, of course, I'll have to look at Maria Rosa Menocal's *Ornament of the World* on the advice of Tony Sullivan.

Yes, on the issue of democracy and liberty, that is why when we talk democracy we have to talk about institutions and civil society, which denotes the essence of liberty in question.

Now, Sharmin Ahmad talks about the empowerment of women. And I think—I don't know whether Azizah concurs with me on that—but I take great pride because even when I was minister of education (this was about 15 years ago), the number of female students in our universities in Malaysia were 50% or slightly more at that time. Now, more, but at that time, 50% purely according the issue of merit. However, when I was minister of education there was a problem because we were then selecting teachers and according to the men, 75% were women, I went to discuss with the women principals and teachers to appeal to them “can you agree to sacrifice 10% for the men?” [Laughter] They were all on merit, there were 75%, purely on merit. But we thought we have to deal with the problem of discipline among the male students (the boys) so we had to allow for additional teachers. Of course the ladies were kind enough to say, “We keep our 65%, we can give to you the 10%.” So in a way, it was good. BUT, does it mean that there is enough justice and equality for women? No, Azizah disagrees, because she tells me, “Fact—if you say 50% of the top students are women, how is it then that in the civil service, only 10% of the heads of departments are women?” I mean, she is too smart for me. It means that we need to be more flexible and give more latitude and allow for

women to succeed. How is it that political leaders, 10% of women, parliamentarians 12% are women, there is a point.

Aly Abuzakouk:

Even here in the States.

Ibrahim:

Yes, even here in the States. The States are never my example of the modern—it's completely irrelevant. [Laughter.]

Now another question from Aly is this: how then do you stop children of these leaders from squandering money and becoming billionaires. They are in their 20s. What can be done to prevent, or at least minimize this. Do we disqualify them outright? Look at the the period of Khalifa Umar Ibn Abdul Aziz. When his wife comes to visit him in the office, he had to switch off the light because the wife wanted to discuss family matters. Frankly, I couldn't do that because it was central air conditioning, [laughter] but that message was important to show the issue and to prove that to be a leader, the issue of accountability is very important. So we talk about Islam, we talk about government, we talk about democracy, but we don't apply. That has been our problem. So I made it clear that none of my family members can have any interest, contracts, or shares or dealings with the treasury, because I was Minister of Finance. Then I realized everything under the Malaysian system goes through Ministry of Finance, even Eid al Fitr in the village, the entire family met, with my father, then my eldest brother became the spokesperson and said, "Do you mean to say just because you are Minister of Finance, we are all denied of our livelihood?" It was really an experience because I had to battle—Azizah was there. But I had to say "well, I'm sorry but you have to find other alternatives, because even if it is clearly transparent I'm not prepared to face the public, because public will say, 'You are like them! You are as corrupt as they are!' So I was unprepared; so I'm sorry I'm not able to do anything. My instructions to the Central Bank—to the Treasury—is that [they are to get] nothing." So, that's why, when all these allegations came up, I said "*Wallah-ul-adhîm*, if I get one share from the government in all my eight years as Minister of Finance or one plot of land (government land) that I took for myself or family, it is *harâm*, and I need to be condemned if you have any evidence to that effect." But *al-hamdu-lillah*, we managed to do that. [Applause]

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