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IMF praises Malaysia for deferring major projects

Baidura Ahmad in Hong Kong

THE International Monetary Fund praised Malaysia's decision to defer several major projects and introduce Government-led austerity drive in an effort to cut spending and ensure economic continuity in the wake of the financial crisis affecting the Southeast Asia region.

Its managing director Michel Camdessus said he admired the bold decision taken by the Government to introduce such measures which might prove unpopular with certain quarters.

"I am impressed by the courage of the Malaysian authorities, particularly at this time of difficulty, to postpone those projects. This is a wise decision and let me say that I am not surprised that the authorities had decided to do so," he said at a Press conference at the closing of the annual IMF/World Bank Meeting which was officially opened by Chinese Premier Li Peng on Tuesday.

Malaysia's delegation to the meeting was headed by Deputy Prime Minister Datuk Seri Anwar Ibrahim in his capacity as the Finance Minister.

Camdessus said Malaysia's austerity measures should be followed by others in the same situation.

He added that IMF only has praises for Malaysia's swift action to put its macroeconomics in order.

However, he pointed out that based on Malaysia's past track record of a pragmatic approach towards its economic management, the country's move was no surprise.

Prime Minister Datuk Seri Dr Mahathir Mohamad recently announced the deferment of big projects in the wake of the ringgit's recent depreciation. Among them were KL Linear City, The Northern Region International Airport and the Bakun Dam.

In addition, Anwar announced that Government spending would be cut by two per cent across the board while those involving less important projects would be reviewed.

During the packed Press conference attended by more than 200 journalists including local journalists here for the meeting, Camdessus also gave praise to other efforts taken by the Malaysian Government to put its house in order after the currency and stock market crises that affected the region.

His statement indirectly denied reports by certain foreign media here which blamed the Government's recent measures as an act which worsen the already bad situation.

Apart from Malaysia, Indonesia, Thailand and the Philippines (whose currencies were also under pressure), have announced the postponement of major projects in their respective countries.

On the two initiatives proposed by Anwar at this meeting when he addressed the Board of Governors yesterday, Camdessus said the proposals were "interesting".

"IMF will do a complete study on the proposals before we can come with any concrete decision."

Malaysia has proposed two initiatives to the IMF to promote greater co-operation among countries and world aid agencies in facilitating liberalisation of financial markets while avoiding any destabilising consequences.

The proposals include the need for the international agency to supervise the financial markets through the setting up of a global trade information

system for forex markets.

Secondly, Anwar said the Fund could devise a framework to enable countries to adapt and cope effectively with market excesses associated with destabilising capital flows.

On the proposed Asian bail-out fund Camdessus said the IMF felt that whatever shape the fund finally takes, it has to be set up within IMF's existing conditionalities.

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