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Leaders: IMF should review conditionalities

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SOME Asean leaders feel that the International Monetary Fund should review the conditionalities for loans it provides.

Prime Minister Datuk Seri Dr Mahathir Mohamad said this was raised at the Second Asean Informal Summit, adding that the IMF was looking purely at the macro-economic situation and not at the impact of the conditionalities on its client states.

Speaking at a Press conference at the end of the talks yesterday, Dr Mahathir was asked whether Asean felt that the IMF conditionalities were too harsh on the countries seeking its assistance.

"The IMF is looking purely at the macro-economic picture and not at the impact (of its conditionalities) on the client states. Increasing taxes and rates can cause companies, even good companies, to fold. This will further aggravate the situation.

"With the depreciation of the currency, they would need much more in local currency to pay for loans taken in the US dollar. In a situation where economies are not doing well, it is impossible to raise funds to pay for the loans," Dr Mahathir said.

The Prime Minister was also asked whether funding from the IMF was enough. He said it was obvious that the amount of funding could not meet the huge losses incurred by the countries in the region, adding that the IMF funds were meant to boost the reserves, and represent an attempt to boost confidence.

South Korea, for example, received US\$57 billion (RM210.9 billion) in assistance when its losses could have been greater than the US\$150 billion incurred by Malaysia.

On US support to troubled economies, Dr Mahathir said the US was giving support to the IMF, especially moral support. He added that the US would also like all aid to be channelled through the IMF.

On the situation in Myanmar since becoming a member of Asean, Dr Mahathir said there had been changes as the country now welcomed foreign investments compared with total isolation in the past.

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