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Malaysia acts to keep IMF away in tackling woes

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UNTIL last week, the region's proposed currency support fund had taken many names. Out of Bangkok in September where the concept was first floated by Japan at the Asia-Europe Finance Ministers' meeting, it was called the Asian Monetary Fund.

In Hong Kong in the same month at the International Monetary Fund (IMF)/World Bank annual meetings, it was named the Asia Fund.

Here, Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim called it the Asean Standby Facility.

The same happened in Manila during the two-day Finance and Central Bank deputies meeting last week. It was called the Asian Fund Facility.

But by the end of the meeting, the fund - first "conceptualised" by Japan in the region of US\$100 billion (US\$1 = RM3.49) aimed at bolstering the economies of Asian countries hit by financial problems such as the currency problem now affecting South-East Asia - is not only without a name but also a structure.

It is now a "cooperative financing arrangement" for the region and, contrary to what Malaysia is seeking, heavily linked to the IMF - a multilateral financial institution whose largest shareholder is the US.

IMF had dictated that any nation facing a crisis will first have to seek IMF assistance before it can draw from the fund under the arrangement and this, regrettably, was agreed upon by the finance and central bank deputies at the meeting.

Officials attending the meeting explained the importance of the IMF link, saying that it is aimed at restoring the confidence in the marketplace.

Treasury secretary-general Tan Sri Clifford Herbert said the agreement on the IMF link was "a consensus" while Bank of Thailand's senior assistant governor Siri Ganjarerndee acknowledged the cooperative financing arrangement is too heavily attached to the IMF.

Indonesia's Finance Ministry secretary general Dono Iskandar Djojosebroto was more direct. "We cannot escape from the IMF," he said.

It is, however, ironic, that the IMF wants a hand in an arrangement, which was suggested by an Asian country and for countries in the region. The only thinkable reason is that the West, indirectly the US, wants to strengthen its hold in Asia especially at a time when the region is most vulnerable to the attacks of currency manipulators.

By going to the IMF for assistance, a country loses its economic and also political "sovereignty". Governments would have to meet IMF conditions before a package is extended and would have to refer to the IMF before it can make any decisions.

Among the conditions laid down by the IMF before it extends assistance include corporate and government belt-tightening, which would in turn raise market interest rates, putting a further liquidity strain on already heavily-indebted companies,

The Philippines is a classic example. According to a veteran Filipino journalist covering the meeting, the IMF was "inhuman" and "brutal" in implementing its policies in the Philippines.

"They will tell the Government to raise taxes to increase revenue without given a damn about how it is going to affect the people. It is about time we kick their arses," he said, referring to the Philippines' impending exit from IMF's supervision at the end of the year.

And if the Philippines wants to draw down from the cooperative financing arrangement, it would have to go back to the IMF before it can do so.

Thailand and Indonesia are now experiencing what it is like to be under the thumb of the IMF. In return for the US\$17.2 billion IMF deal, Bangkok agreed to maintain strict macroeconomic targets and to reform its crippled financial sector, wallowing in more than US\$35 billion of bad debts.

The Indonesian Government is overhauling of its banking and financial sectors and has already closed 16 privately-owned troubled banks in a move to prove its readiness to comply with the IMF terms.

Under the IMF package, Indonesia could receive up to US\$40 billion in financial aid provided it adheres to strict reforms laid down by the fund.

South Korea will follow suit as it is also seeking a rescue package from the IMF.

Malaysia is determined to tackle its economic problems on its own without the assistance of the IMF. The establishment of the National Economic Action Council (NEAC) is to ensure that the country will not succumb to the powers of the West.

The NEAC, to be chaired by Prime Minister Datuk Seri Dr Mahathir Mohamad and supported by state economic action councils, will outline and implement actions to resolve the currency and stock market turmoil.

It will have a set-up that is consistent with close monitoring of the country's economy and able to make decisions that can be implemented quickly and expedite action immediately.

Acting as an advisory body to the Government, members will also comprise ministers holding economic-related portfolios from the Ministries of International Trade and Industry, Domestic Trade and Consumer Affairs, Primary Industries, Human Resources and others. Members from the private sector will include representatives from the manufacturing, export, banking and finance sectors.

And Malaysia's strength is not in the policies and measures introduced by the Government alone but also in its people who will ensure that, in the spirit of "Malaysia Boleh", the country can turn the economic tides as smoothly and successfully.

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