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Levelling the economic playing field

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WHEN he next visits this region, the International Monetary Fund (IMF)'s managing director Michel Camdessus should be learning as much about the regional economies as he is teaching them.

The IMF standard prescription, developed during the bailout of the South American economies in the 1980s, is not only ineffective in overcoming the crisis in the three Asian countries that have so far sought its assistance but is spawning new problems.

This has led to the IMF being a target of severe criticisms from within these countries as well as from parties in the West.

The currencies of Thailand, Indonesia and South Korea continue to come under strong selling pressure despite the IMF bailout and tough economic measures these countries are being forced to implement.

There is now the fear that the IMF rules and regulations may cause the economy of these countries to deflate, spawning mass unemployment and crippling inflation.

Already food shortages caused by panic buying are pushing up prices in Indonesia and Thailand.

Harvard economist Jeffrey Sachs had accused the IMF of administering a whole lot of remedies that are totally inappropriate for the Asian problems.

Repeating the charges at a business conference in Madras on Saturday, Sachs said the IMF had aggravated Asia's financial crisis, but he was confident that regional economies should begin to recover before long.

His prediction on Asian economic recovery came just a day after Prime Minister Datuk Seri Dr Mahathir Mohamad predicted that the Malaysian economy would begin to show moderate recovery in six months to a year.

Sachs, the director of Harvard Institute of International Development, told the conference that the crisis in East Asian economies had resulted from a panic withdrawal of funds from their markets.

He said the IMF had erred by using the same rescue technique employed in the past, instead of specific remedies tailored to the differing needs of Asian economies.

He criticised the IMF for demanding bank closures in Indonesia, Thailand and South Korea as part of its bailout packages, which Sachs said sent wrong signals to the market.

The Malaysian Government has repeatedly maintain, since the outbreak of the regional crisis, that it will try its best to avoid seeking IMF and other outside assistance.

Although the statement to that effect was then seen by critics of the Prime Minister as totally inappropriate and arrogant, the wisdom of avoiding an IMF bailout is being widely recognised now.

It is better to adopt our own tough belt-tightening measures than to wait for the economy to spin out of control, by which time a bailout by the IMF becomes a matter of necessity.

Apart from deepening its understanding of Asian problems, the IMF may have to examine its relationship with the US and other Western governments as there are now allegations that it is being used by these governments to dominate Asian economies.

Commentator Janet Bush, writing in the London's Times newspaper on December 24, said there were overwhelming signs to prove that the IMF "bailout" of Asia amounts to a deliberate policy of laying the region open

to takeover by foreign interests.

She noted that American investment banking group Goldman Sachs was reported to be preparing to spend US\$4 billion (US\$1 = RM4.63) buying asset-backed loans from stricken Japanese banks. The purchase is equivalent to one-eighth of all Japan's bad loans.

Bush commented: "Other American investment banks, which learnt the art of buying and repackaging bad loans during the Latin American debt crisis of the 1980s, will surely follow.

"These forays are the very early signs of an American takeover of Asia's financial and banking sectors, aided and abetted by the International Monetary Fund.

"Lest anyone dismiss this as a silly conspiracy theory, just remember the speech that Mickey Kantor, former US Commerce Secretary, made to the Confederation of British Industry last month.

He told his audience that the troubles of the "tiger" economies should be seized as a golden opportunity for the West to reassert its commercial interests.

"When countries seek help from the IMF, he said, America and Europe should use the IMF as a battering ram to gain advantage."

So while we seek counsel from Camdessus and a whole list of other experts from the developing countries, we should also prevail upon them to learn more about our economy.

The already uneven playing field will become less level for the developing economies if a multilateral organisation like the IMF allows itself to be used by the powerful West.

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