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Malaysia is different, Wolfensohn stresses

MALAYSIA stands out in the region for not bearing the features found in the troubled economies of South Korea, Indonesia and Thailand, says World Bank President James Wolfensohn.

While Malaysia had made some "mistakes" similar to those committed by others in the region such as allowing an unfettered property boom, excessive stock market liquidity and credit creation, they are not "capital sins", he said.

"The problems have happened in virtually every country. The US had the savings and loans crisis and there had been immense problems of excessive liquidity in some countries ... it happens," he told reporters in Petaling Jaya at the end of his two-day visit to Malaysia yesterday.

He said while he was "not peddling" financial aid to Malaysia which is less affected than Thailand, South Korea and Indonesia by economic woes, the World Bank is ready to provide assistance like advice on the formulation of social programmes.

Malaysia, he noted, has a much more developed regulatory and commercial system compared with many other countries and has a good foreclosure mechanism.

"The economic and social facts of Malaysia differ. The issue here is not needing US$50 or US$80 billion of short-term funding from overseas banks ..."

Malaysia's future also does not hinge on its "ability to negotiate with foreign creditors at a time when your currency has been whacked in the market and you do not have foreign exchange reserves". This was the case in both Thailand and South Korea.

"This is a very important point in distinguishing Malaysia from other countries," he said, adding that it "is a country which has exhibited admirable economic growth and good economic management".

The measures employed by Government also "seem to be on very sound lines". The Government, Wolfensohn added, is aware of the need to maintain business growth wihile "cutting down on excesses".

"In the beginning of the Latin American crisis, everybody thought Mexico was the same as Brazil, Argentina and Chile.

"My guess is we will have something similar in this part of the world and Malaysia will emerge as one of the stronger countries," he said, while advising the Malaysian Government to continue to make this point to the investors.

Wolfensohn said he would be doing so through his "own statements" and the World Bank itself "would be trying its best to make this distinction".

"In the middle of a crisis, it is very hard to distinguish one thing from another ... the way markets function, `infections' are partly internationally-induced and partly domestically-induced," he said.

"And to this extent, it is important to rebuild confidence.

"As far as the international community is concerned, I will do everything I can ... the World Bank will be preparing a country economic memorandum, where I am certain Malaysia will be distinguished from other countries," he said.

During his meeting with Prime Minister Datuk Seri Dr Mahathir Mohamad earlier, Wolfensohn said he was informed that Malaysia would redeploy the legal foreign workers to sectors facing labour shortage rather than repatriate them, for example from the construction to the plantation sector.

Wolfensohn said this is partly because Malaysia does not want to compound the problems in Indonesia.

Asked whether the worst for the region's currencies and stock markets is over, he said: "The fact that all the governments are coming together makes a further decline less likely ... but you could still have mishaps.

"These could occur in the financial sector, but I am personally more concerned about the social side ... the issues of unemployment, poverty and migrant labour," he said.

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