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IMF's statement should finally put doubts to rest

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ONE wonders what took the International Monetary Fund so long to realise it, but last Friday its managing director, Mr Michel Camdessus, finally declared: Malaysia does not need IMF help.

The Malaysian leaders had said, before Camdessus did, that Malaysia does not need the IMF. But in a climate of diffidence, their statements drew only suspicions.

The IMF chief's announcement last Friday would, hopefully, restore some confidence. It certainly has drawn a line separating Malaysia from Thailand, Indonesia and South Korea, the three countries that had to seek IMF bail-outs as a result of the Asian financial turmoil.

The IMF's declaration proves that Malaysia's claims about its strong fundamentals and resilience were no mere rhetorics after all.

Camdessus, among other things, praised Malaysia for its strong financial sector and good economic policies. He also praised the Government for the tough pre-emptive measures to address the present currency and stock market problems.

His positive assessment of Malaysia's economic position complemented a similar view on Malaysia earlier in the week by the US Deputy Treasury Secretary, Mr Lawrence Summers, who had said that measures taken by Malaysia to tackle the economic problems were very strong ones.

But while some confidence may return after this, the rumour-mongers can be expected to work overtime to dampen the spirits.

For the whole of last week, for example, talk had it that Malaysia was going to seek IMF aid. Then, two days before the IMF chief told a press conference that Malaysia does not need IMF help, foreign wire agency AFP quoted Camdessus as saying that Malaysia's policies were not good enough to deal with its problems.

Camdessus later disputed the report, but the fact remains that such reports are let through. If the Malaysian Press had not asked Camdessus and if he had not denied it, the AFP report would have stood as representing the truth about what the IMF chief said of Malaysia.

Camdessus' statement about Malaysia not needing IMF aid is also not expected to make an immediate impact on Malaysians. As Prime Minister Datuk Seri Dr Mahathir Mohamad had said during the Umno Supreme Council meeting early this month, Malaysians tend to listen more to rumours rather than the factual details given by the Government and even the international authorities.

Although the facts given by the relevant authorities are usually found to be true, those who like to listen to rumours will continue to create new ones. There are always new rumours for them to create when they failed to convince people in their first try.

The rumour-mongers will keep on spreading rumours until they hit the "jack-pot" and say "they are right this time".

So, there is this possibility that even if the IMF chief repeats what he said last Friday, many may not want to listen to him this time.

They may argue that Camdessus is just being polite because he said this during his visit to Malaysia and naturally, he (Camdessus) has to say all the good things about Malaysia or countries that he visited.

But bear in mind that he (Camdessus) had said the good words about Malaysia even when he was visiting other countries in South-East and East Asia.

For example, when he was in Indonesia last year, the IMF chief had dismissed suggestions that several Malaysian banks have gone bankrupt and had to be closed down. Malaysia's financial and banking system, he had said then, was strong.

Last Friday, after meeting Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim, he said it again - that Malaysia's financial sector is strong.

"I believe when one compares Malaysia with its neighbours, one must recognise that Malaysia is not facing the same situation as some of the other countries," Camdessus said.

He also said Malaysia should continue with its present strategies and policies. Its financial system is strong as is its fiscal position, which means there is no need to increase taxes. Malaysia's problems are largely attributable to the "contagion effect" sparked by the de facto devaluation of the Thai baht.

Camdessus was not, however, all praise. The "excessive" credit growth of the past two years in Malaysia's financial sector was a cause of concern to him. The Bank Negara, he said, must monitor the financial system closely to make sure that the capital adequacy ratios comply with and non-performing loans capped at the low level.

He also said that the country's budget, although adequate, must be strengthened from time to time with effective policies that take cognisance of problems caused by currency volatility.

On this note, Camdessus said the IMF will continue to offer policy advice and technical assistance when needed. Camdessus and his IMF team will return to Malaysia in March to further discuss the implementation of the economic measures.

Judging from Camdessus' observation about Malaysia, the people should really try hard to stop listening to rumours. And instead of waiting for international authorities to say it, perhaps they could start listening to their own.

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