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US don: Dr Mahathir's move shrewd, timing impeccable

THE currency exchange rate control measures adopted by Prime Minister Datuk Seri Dr Mahathir Mohamad is now hailed as "his most important" contribution to international economy.

Seen as a defensive move driven primarily by domestic political calculations, Dr Mahathir's decision could very well help rewrite the rules of global economy.

Writing in the Sept 28 issue of Time magazine's "Viewpoint" column, Jeffrey A. Winters said: "You don't have to be a Mahathir fan to acknowledge that his move was shrewd and his timing impeccable."

Winters, a professor of political economy at Northwestern University in the United States, wrote "With the International Monetary Fund and World Bank damaged and in disarray, with establishment economists more confused and contentious than at any time in the past half-century, and with Japan, Russia, China and even the United States facing escalating economic danger, Mahathir saw he could act with impunity."

The widening crisis, that started in Asia was rewriting the rules of international economy and that all would be studying how Malaysia fared, Winters said.

By taking Malaysia off-line, a new and significant political-economic space had been carved open for government leaders eager to reclaim some control over their economies.

The limits set on external financial links, even for a few years, would give the world evidence on the range of responses to gyrations of capital in today's international economy.

Winters said it was government decisions and policies that set the terms for the huge daily movement of investment funds into and out of countries and trade in national currencies.

Disputing critics such as IMF's deputy managing director Stanley Fisher who called Dr Mahathir's move "retrograde", Winters said Fisher "could only bark and not bite".

Controllers of private capital, Winters adds, were also powerless to unleash their standard barrage of punishments of threatening to withdraw resources because "they have already done that".

Dire warnings that Malaysia had seriously damaged its reputation among global investors also rang empty.

"By the time this economic crisis subsides and capital starts flowing again in earnest to emerging markets, Mahathir will likely be at the end of his political career.

"Malaysia will still be an inviting place to invest. As the country gradually re-engages, the new government can blame the old one for any sins, and investors, assuming their memories are that long or that they even care, will come back with enthusiasm."

Comparing responses to the crisis, Winters said IMF's prescription for Indonesia was not working. This was in spite of having thrown off a dictator, Indonesia was still riding a roller-coaster ride of economic default and instability.

While more moderate, Thailand had also had one change of government but was discreetly abandoning the letter and spirit of the IMF cure by trying economic stimulation instead.

Malaysia, not having received any aid from the IMF, had decided to stimulate its economy in an environment that was less exposed to the

uncertainties of cross-border capital movements.

While Indonesia and Thailand continue to endure jolts and surges across their borders, Dr Mahathir was hopeful that limiting capital transactions would buy stability.

"Mahathir knows all eyes are on him," Winters wrote.

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