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World Bank: Malaysia is different (HL)

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PETALING JAYA, Tues. - Emerging from a series of meetings with top Malaysian leaders, World Bank president James D. Wolfensohn said he would help clear the misconception that Malaysia's economy is similar to the other troubled countries in the region.

He said he was even more convinced now of Malaysia's strong economic fundamentals, adding that these were the factors that would show the difference between Malaysia and countries like South Korea, Thailand and Indonesia.

Speaking at a Press conference today at the Hyatt Regency Saujana at the end of his two-day visit, Wolfensohn said Malaysia had very significant differences from other Asian countries such as being able to meet its foreign exchange obligations.

He had earlier held talks with Prime Minister Datuk Seri Dr Mahathir Mohamad, his deputy Datuk Seri Anwar Ibrahim and Bank Negara officials.

Wolfensohn was asked what the World Bank could do to correct the misconception among investors who tended to lump Malaysia together with the region's troubled economies.

"I can assure you in my own statements and in the works of the bank, we will try our very best to make this distinction."

Besides restoring confidence internationally, he also spoke on the need for Malaysia to do so "domestically" as at the height of the economic problems, there had been a flight of capital from many countries in the region.

"I do not blame Malaysia for anything that has happened up to now. I think when you're in the middle of this sort of conflagration, it is hard to recognise the good from the bad. Everybody gets pulled in together.

"Therefore, restoring confidence in the country is as important as the feeling of the international community. As far as this is concerned, I will do everything I can.

"I am confident we will be able to distinguish Malaysia on the issues it is facing compared with other countries where there are enormous overseas borrowing. This is not the case here," he said.

He said as the "smoke" began to clear, investors would begin to notice the differences in the economic and social facts of Malaysia compared to other countries.

"The issue in Malaysia is not leaving 60, 80 or 100 billion (dollars) of short-term funding from overseas banks unhedged ... or the issue of being unable to meet foreign exchange obligations," he said.

Emphasising that Malaysia was different from South Korea, Thailand and Indonesia, he said these countries' future depended on their ability to negotiate with foreign creditors at a time when their currencies had been "whacked" while their foreign exchange reserves dwindled.

He said Malaysia does not have the problem of needing to negotiate with bankers in trying to accommodate requests to either restructure or delay payments on short-term debt obligations.

"This is a very, very important point which distinguishes Malaysia from the other countries.

"I am not trying to rationalise Malaysia ... but that's just the fact that needs to be understood by the international community."

He said time will allow for a distinction (of the differences) to emerge between countries in the region, citing the Latin American economic

problem as an example.

"It took a little time but in the end each country differentiated themselves. I think you will have something similar in this part of the world," he said.

Wolfensohn stressed Malaysia would emerge as one of the stronger countries.

In addition, Wolfensohn said Malaysia had a much more developed regulatory and commercial system and social policy unlike some other countries which did not even have any bankruptcy code.

He was also asked whether Malaysia's high growth, borrowings and current account deficit had left itself open to the contagion effect of the economic problems faced by other countries.

"While mistakes were sometimes committed," he said, "governments in the region were not trying to hide issues such as property booms, excess liquidity and excess circulation of credit.

"I think it's much better to admit it because it is not a `capital sin'. It happened in virtually every country ... in the United States for example, it had the savings and loans crisis.

"And there had been immense problems with excess liquidity in some other countries."

Wolfensohn also expressed concern over the real impact of the economic problems on the people and the social programmes.

One of these was poverty eradication which had been carried out quite successfully by countries in the region.

Because of the problems, he said those who had crossed the poverty line had very quickly become poor again, and that efforts to correct this was under way.

On Malaysia's economy, he said: "The Government is very much aware of the need to keep the engine of business going while at the same time cutting down on excesses."

He stressed that his visit was not to "peddle or sell" financial assistance to Malaysia, but did not rule out the possibility of extending financial aid or advice.

Asked whether he felt Malaysia would be affected by unemployment caused by the economic problems, especially in view of the high number of foreign workers in the country, he said migration of people who lost their jobs could lead to serious social unrest.

He said what the World Bank was trying to do was to create social programmes which would minimise such incidents, adding that its experience in this had shown that the way to deal with it was to provide people enough food and economic hope.

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