

24 JUN 1999

MALAYSIA-ACADEMIC

S'POREAN ACADEMIC REBUTS CRITICISM OF MALAYSIA'S CAPITAL CONTROLS

By: Tham Choy Lin

SINGAPORE, June 24 (Bernama) -- A local business professor has rebutted a report by a fellow Singaporean academic who was critical of Malaysia's capital controls at a recent US congressional foreign sub-committee hearing on Malaysia.

The congressional hearing has been slammed by Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad because no Malaysian resource persons were asked to present their views.

In a lengthy letter published in the Straits Times today, Associate Professor Chan Teng Heng of the Nanyang Technological University's (NTU) Business School said he would like to present a different perspective to the problems faced by Malaysia following the comments made by Linda Lim, director of the Southeast Asia Business Programme at the University of Michigan Business School at the June 16 congressional sub-committee.

In her paper, Lim said the capital controls were neither necessary nor sufficient and were a drag on Malaysia's economic recovery.

Prof Chan said many had criticised Malaysia's capital controls but had not offered any alternative to alleviate Malaysia's predicament.

He said many businessmen had feared the coming of the International Monetary Fund (IMF) to Malaysia when its neighbours were even worse off despite bailouts.

"Although not a supporter of Dr Mahathir, I admire him for his courage and tenacity in implementing the capital controls," he said.

"How many Asian countries had the guts to eyeball the IMF to turn the country around and say: 'No, thank you!' to its funds?" he asked.

Detailing the dilemma of Malaysian companies when the country initially followed IMF's fiscal and monetary austerity, Prof Chan said "companies started to fall like tenpins because of liquidity problems.

"Many of my colleagues agree that if Malaysia had brought in the IMF to turn the country around, many more personal fortunes in Malaysia would have been destroyed before any economic recovery," said Prof Chan, adding that many of his friends were seasoned professionals and businessmen who had had been through the last recession of the Mid-Eighties.

He said the IMF model for recovery cannot be applied universally to Asian countries where businesses were so inter-linked that the closure of one company may have a ripple effect on an economy as small as Malaysia's.

"It would be folly to continue to paddle in the IMF boat, when in the surrounding waters, we see company after company in the neighbouring countries drowning in the corrective actions of the IMF."

Prof Chan said Asian economies need to change to "using our own formula" if Western remedies do not work and imposing capital controls were not all bad as they were defence mechanisms for survival.

"The West may not like them because they seem to be an affront to the Western theories and methods of recovery.

"Like the saying goes, there are many roads to a mountain. It is just Malaysia has taken a different road from the IMF one," he said. -- BERNAMA

TCL SHY