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MALAYSIA-ECONOMY (A commentary)

"MALAYSIANOMICS" DID THE TRICK FOR MALAYSIA'S TURNAROUND

By: Yong Soo Heong

KUALA LUMPUR, July 20 (Bernama) -- Once financially-stricken economies in Asia are now turning around, mostly on their own steam, but some international agencies appear to be claiming credit for this improvement.

There have also been attempts to discredit Malaysia's own approach in getting out of the economic quagmire, saying that agencies like the World Bank and the International Monetary Fund (IMF) had played a pivotal role in the country's turnaround.

This, as many people know, is certainly not the case for Malaysia. The IMF's "one size fits all" prescription did not work for Malaysia and in Indonesia's case, it had dire social consequences.

In addition, suggestions have been made that Thailand, with its IMF-induced recovery, would crawl out of the recession faster than Malaysia.

But now the Thais appear to have another two long years to go before they can put their heads above water. There had been reports of high unemployment and numerous projects still being stalled in Thailand.

Malaysia, on the other hand, has made a turnaround and is up and running from the second quarter of this year after the financial crisis struck in July 1997.

Many Western commentators have tried to draw a parallel between the Asian financial crisis and the Latin American financial debacle in the early 1980s. But it took the South Americans about 10 arduous years to get out of the rut while affected Asian economies have already set a shining example about how to lift themselves from the doldrums.

According to a recent article in the Asian Wall Street Journal (AWSJ), IMF economists said the first two crisis years cost South Korea, Malaysia and Thailand roughly a fifth of the economic output that they each would otherwise have had.

The AWSJ article quoted the IMF economists as saying that Mexico took about six years from 1982 to recover while Chile took about five years.

But in Asia, they forecast that it would take South Korea and Malaysia roughly more than two years from the start of the crisis in mid-1997 to recover, Thailand would need about four years while Indonesia's recovery was less certain.

Despite the better picture, Western detractors are saying that their recovery is not a sure thing and the once recession-afflicted Asian economies, despite the enormous improvements, are still straddling on fragile ground.

Putting disgruntled detractors aside, one can see that in Malaysia's case, the available economic statistics speak louder than words: there has been a sharp turnaround in the first quarter of this year when compared with the last quarter of last year when the Malaysian economy was mired in recession.

The government has projected a modest 1.0 percent growth for this year from a sharp contraction of 7.5 percent in 1998 while the Malaysian Institute of Economic Research (MIER) believes that a growth of 1.8 percent can be attained.

Interestingly, bullish foreign investment houses are even forecasting growth rates of more than 4.0 percent for Malaysia this year.

Such growth forecasts would not have been possible if Malaysia did not undertake somewhat unorthodox measures which had been coined as

"Malaysianomics" by Tan Sri Ramon Navaratnam, a regular commentator on the country's economic landscape.

Rather than letting the country languish under the machinations of these currency manipulators, Malaysia implemented a number of measures which raised the eyebrows of many. The country was even criticised as being a "pariah" (outcast) after it imposed selective exchange controls on Sept 1 last year because the move was deemed regressive.

"Malaysianomics," such as the imposition of selective capital controls, easing of monetary policies to effect more liquidity in the financial system and various stimulus packages certainly did the trick. It was not everyone's cup of tea but the brew was potent enough to lift the country out of the economic morass.

From the very start, Malaysia was against the prescription of the IMF for fear that the conditions would destroy the many crowning achievements which had taken years to nurture. Like the harmonious fabric between the various races, the efficacy of the New Economic Policy in restructuring society and the creation of a bumiputera commercial and industrial community.

Malaysia's opposition to the IMF's cure primarily had to do with the ruinous effect that its conditions may pose to the overall economy. Like letting many companies go under and sold to foreigners under "fire sale" prices.

Initially, Malaysia did try to follow the IMF-like prescriptions under the conventional approaches of tight monetary policies and fiscal restraint to counter the effects of the economic turmoil.

Apparently they did not work. International trade and industry minister Datuk Seri Rafidah Aziz, when speaking to Japanese businessmen in Tokyo early last week, said these initial measures had, however, accentuated the severity of the crisis. When it was apparent that the initial measures did not seem to work, Malaysia changed its tack.

For instance, Dr Sulaiman Mahbob, head of the Secretariat in the National Economic Action Council, pointed out recently that the IMF was slow in recognising the relevance of a low interest rates regime and the merits of a having a budget deficit to counter the effects of a crippling recession.

He also said that while the IMF subsequently prescribed lower interest rates and budget deficits in recession-hit economies, Malaysia had taken these measures very much earlier.

Prime Minister Datuk Seri Dr Mahathir Mohamad reiterated over the weekend that Malaysia managed to turn around because it adopted its own recovery measures.

"Without sounding boastful, we believe in and are confident of our capability in overcoming whatever problems through our own way or style," he had said.

Even Canada's deputy high commissioner to Malaysia, Otch von Finckenstein, said recently that Malaysia had succeeded in overcoming the danger of being gripped by foreign powers, including the IMF.

Malaysia, he said, did not even borrow a single sen from the IMF but was still able to revive its economy quickly.

Prof. Chan Teng Heng, of Singapore's Nanyang Technological University's Business School, said last month that many of his colleagues believed that many more personal fortunes in Malaysia would have been destroyed before any economic recovery if the IMF was brought in to help.

"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.

Prof Chan was of the view that Asian economies need to change to "using our own formula" instead of Western remedies which did not work.

Which was what Malaysia did because as the saying goes -- there are many roads to a mountain.

Only time will really tell who is fastest in getting out of the recessionary cauldron.

And for Western commentators to compare Asia's determination to get out of the recession with what the Latin Americans did when dealing with their "tequila" financial crisis is certainly missing the point altogether. Asia is a different kettle of fish. -- BERNAMA

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