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Dr Mahathir is target of political amok

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AN American visitor, Clyde V. Prestowitz Jr, asked me earlier in the week about the difference between Datuk Seri Dr Mahathir Mohamad's management of the economic crisis and that of his former deputy.

Prestowitz is the founder and president of the Washington DC-based Economic Strategy Institute, a non-profit research organisation specialising in globalisation and competitiveness issues.

From 1981 to 1986, he was successively deputy assistant secretary of commerce, acting assistant secretary of commerce and counsellor to the commerce secretary.

Such a question had long become the staple of almost every visitor who came to Malaysia to look at the way the crisis was handled.

Since the crisis hit Southeast and East Asia in the middle of 1997, Malaysia has become the focus of attention because of its refusal to seek the assistance of the International Monetary Fund.

The scrutiny became more intense when in September last year the Government imposed limited capital controls to stabilise the ringgit and regulate the flows of short-term capital.

By the time Dr Mahathir decided to take over the management of the economy towards the middle of last year, his former deputy had for months been experimenting with the IMF-type solutions.

By curtailing loan growth, shortening the non-performing loan period (from six to three months), raising the interest rates and cutting public sector expenditure, he caused the faltering economy to tailspin.

His objectives were clearly limited to stabilising the ringgit and saving the banks from going under - a familiar IMF prescription. Being a novice in economic management, he depended heavily on the advice of the world body.

On the other hand, Dr Mahathir, an old hand at crisis management, wanted to save more than just the banking system and the ringgit.

He wanted to save the nation's wealth, the equity of its distribution, racial harmony, political stability and, above all, its independence.

While acutely aware that the crisis had its root in the capital market, starting with the attack on the Thai baht in June 1997, he was of the opinion that saving the financial system alone would not guarantee the recovery of the economy and the survival of the country.

More so for multi-racial and multi-religious Malaysia which, for almost three decades, was built on the promise of economic growth and the equitable sharing of wealth and power.

He did not want the violence that erupted in Indonesia and elsewhere in the region in the aftermath of the crisis to spread to Malaysia. Compared to Indonesia and Thailand, Malaysia has a more complex mix of religion and race.