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Friedman-Mahathir

NEW YORK TIMES COLUMNIST PRAISES DR MAHATHIR FOR ECONOMIC RECOVERY

By: Salmy Hashim

WASHINGTON, Aug 26 (Bernama) -- New York Times columnist Thomas Friedman, who wrote a book on globalisation called "The Lexus and the Olive Tree", has credited Prime Minister Datuk Seri Dr Mahathir Mohamad for successfully pulling Malaysia out of its financial crisis.

In a column which appeared last Tuesday, Friedman said Thailand, South Korea and Indonesia, which took the IMF medicine, as well as Malaysia, which had spurned the advice of the IMF, the US Treasury and many economists, had all won in their economic recovery efforts.

Malaysia's case is significant, he said, because it could encourage other countries to adopt capital controls rather than the Anglo-American model of steadily opening up to free flows of capital.

Friedman also said that capital controls can never be a long-term solution for an export-oriented economy such as Malaysia.

"They are instituted to buy time to stabilise an economy," he wrote.

He noted that Malaysia has used that time "pretty well" since the control measures were imposed on Sept 1, 1998.

"Economically, one has to give Dr Mahathir his due. When he put on the controls, he wisely fixed the ringgit at a low rate - one that has made Malaysia's exports quite attractive, prevented the rise of a black market and been easily defensible with conservative fiscal and monetary policy."

"Several Malaysian businessmen told me this fixed, cheap ringgit has allowed them to plan again. Malaysia's economy should grow by 2.0 percent this year (pre-crisis it was at 8.0 percent), the local stock market has perked up and some foreign investment is coming back."

Friedman observed that Malaysia has been encouraging the merger and restructuring of weak banks and corporations. The restructuring, though, remained limited.

"Still, all in all, Dr. Mahathir is entitled to boast on economics - a little," he wrote.

Friedman also said while Malaysia is recovering from the immediate economic crisis, the only way it will return to sustained high growth, and prevent another crisis, is with improved productivity and efficiency.

That would require reforms in regulatory institutions and in the free flow of ideas among other things, he added.

-- BERNAMA

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