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RECOVERY: MALAYSIA DOING BETTER THAN ANYONE ELSE IN ASIA

KUALA LUMPUR, Oct 14 (Bernama) -- Malaysia is not only recovering quite nicely but is arguably doing better than anyone else in Asia, with the possible exception of Singapore and Taiwan, two economies that escaped the crisis relatively unscathed.

Citing an example, Clyde V. Prestowitz Jr, president of the Economic Strategy Institute in Washington DC, said Malaysia's growth forecast for the year had just been pushed above four percent and the stock market was up 180 percent since September 1998.

"What sets Malaysia apart is the greater speed and extent of its reform efforts and the better health of its fundamental economic structure," he said in his article entitled "Lessons From Malaysia" which was published in the Fortune magazine, Oct 99. It was released by the National Economic Action Council here today.

He added that even before the crisis struck, Malaysia had recognised the risk of a bubble and had taken steps to limit speculative bank lending.

In the wake of the crisis, Malaysia, while avoiding the International Monetary Fund (IMF), moved quickly on its own to establish two institutions to dispose of bad loans and to recapitalise the banks in order to enable them to start lending again.

Unlike Thailand, Malaysia did not have to create bankruptcy rules and procedures from scratch, he said.

Prestowitz Jr pointed out that Malaysia already had perfectly serviceable regulations.

"Unlike Korea, the government did not have to struggle with giant chaebol industrial and financial groups that dominated the economy and operated as entities beyond the reach of the law," he stressed.

Although, it did implement certain industry-targeting policies such as those for automobiles and steel, Malaysia had always been open to foreign investments and thus to a high degree of international competition.

Prestowitz Jr also quoted Prime Minister Datuk Seri Dr Mahathir Mohamad as saying that "a great flaw of the US-IMF led austerity measures in response to the crisis was their failure to recognise the potential threat of social disintegration and ethnic unrest from such policies".

The example of Indonesia, where a financial crisis eventually led to social unrest and political instability, confirms Mahathir's scepticism of IMF policies, he added.

When it became clear that austerity could tear apart the social fabric of the country, Malaysia rejected IMF prescriptions and turned to traditional fiscal and monetary stimulus policies to resuscitate the dying economy, he said. -- BERNAMA

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