

05/02/2000

All's well with IMF patients?

MANY suspect that Mr Michel Camdessus, the outgoing International Monetary Fund (IMF) director-general, has a bone to pick with Malaysia. For if Prime Minister Datuk Seri Dr Mahathir Mohamad had not gone on his crusade to expose the flaws of the IMF's prescriptions for the crisis-hit countries in South-East Asia, Camdessus and the world body he has led for nearly 13 years could have come out smelling like roses. But Dr Mahathir launched that crusade at about the same time some economists, notably Mr Paul Krugman and the people at the World Bank, were raising some mild arguments against the IMF's prescriptions for South-East Asia. Soon after, the IMF started to get the flak from all corners for causing the crisis in the region to deepen with its flawed strategies and recovery programmes.

Thus Camdessus may have felt compelled to inform a meeting at a university in Washington this week that while the Malaysian economy is recovering, its rebound is slower than that of Asia's star performers and there are "serious problems" ahead. Malaysia is recovering "less quickly" than countries which have taken the full prescriptions of the IMF. South Korea was singled out as one of the "star performers" among the crisis-hit countries and one of those which bought everything the IMF sold. Malaysia's slower recovery is not its only problem, it seems; Camdessus said in one of his last public appearances before stepping down this month that Malaysia faced "serious problems with corporate restructuring".

The IMF chief defended the Fund's policy prescriptions in Asia but inevitably the question about capital controls came up during the meeting at the Washington university. Of course, that's Malaysia again. Although Camdessus told the meeting that the IMF was not opposed to capital controls in themselves, it must be recalled that the people at the Fund were, in no uncertain terms, opposed to a move by the Malaysian Government in September 1998 to introduce ringgit exchange rate controls. About a year later, however, the IMF had to concur with the rest of the world that Malaysia's controls had brought "better-than-expected" results and had been applied in a flexible and pragmatic manner. The IMF also admitted that Malaysia had not been shut out of capital markets as feared by some following the imposition of those controls. In fact, the ringgit's fixed exchange rate to the US dollar has provided stability to industries and traders as well as investors. The economic figures, as well as the stock market's rebound, tell the story in greater detail.

Admittedly, some of the countries that the IMF bailed out following the 1997 Asian financial crisis are also recovering. South Korea and Thailand, however, had to get several billions of dollars in IMF aid between them and have lost control of many corporations and banks to foreigners. But Russia, which was hit by the contagion effect, has yet to recover. Fortunately, some countries in Africa and Latin America which caught the flu did not fall ill for too long and therefore did not add to the burden of the IMF and Camdessus. Sadly, however, Indonesia has not recovered despite following the IMF's prescriptions. The social strife and political instability which followed the crisis have, in fact, plunged the republic further into the kind of trouble that is beyond the IMF to try and resolve. At the same time, Indonesia has lost corporations and forced banks to close on the advice of Camdessus, and the crisis has resulted in more than 20 million jobs lost.

In view of these, whatever "serious problems" Malaysia may be facing

during its recovery should not become Camdessus' preoccupation. The IMF's only answer to criticisms of poor handling in Asia lies in sustainable growth and recovery in countries that it bailed out. Malaysia is chugging along fine but this has not lulled the Government or the people into thinking that there are no problems ahead. The way it handled the crisis without the IMF's help is an indication that Malaysia can deal with these problems quite well, certainly better than some of those the IMF was supposed to nurse back to health.

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