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IMF: Sensible policies ensured country's success

MALAYSIA's success in managing its economy both during and after the 1997/98 financial crisis can be attributed to its sensible policies, says a director at the IMF Institute, the training arm of the International Monetary Fund.

Even this year, amid a global recession, the country's economic outlook "looks very good," said the Washington-based Dr Mohsin Khan, adding the IMF recognises Malaysia's success.

"The last report that the IMF gave in Malaysia is that it was doing very well," he said at the sidelines of the launching ceremony of the Islamic banking and takaful week in Kuala Lumpur yesterday.

Mohsin said: "When Malaysia took its own route to get out from the financial crisis and developed its own policies, there were many doubts. But it turned out to be one very successful experience."

He said Malaysia chooses to follow "very sensible policies" and these have proven to work not only then but even in the present situation.

When Malaysia implemented its capital controls in Sept 1998 after it had the impertinence to turn down IMF assistance, there were a lot of sceptics and the IMF was one of them.

The Government then established two institutions, Danamodal Nasional Bhd and Pengurusan Danaharta Nasional Bhd which helped dispose of bad loans and recapitalised the banks in order to enable them to start lending again.

As a result, Malaysia got out of the recesssion faster and with less pain compared to the few neighbouring countries which prescribed to the IMF formula.

IMF later came out with a statement that it broadly agreed that the capital controls had produced better-than-expected results as the Government's way in implementing them were done in a pragmatic and flexible way.

Asked to comment on the ringgit peg to the greenback, Mohsin said although he personally believes that it is Malaysia's prerogative whether to get rid of the peg or not, he does not see "any immediate pressure" to remove the measure.

"For this year, while Malaysia's exports have fallen, imports have declined too. The (trade) balance is still very positive. Also Malaysia has a surplus in its external accounts while reserves are still rising. I do not see any immediate pressure on the exchange rate."

When asked on IMF's stance on the call made by the United States for the imposition of controls and monitoring of the flow of international funds, quite a similar suggestion made by Prime Minister Datuk Seri Dr Mahathir Mohamad at the height of the financial crisis, Mohsin said IMF is now slowly moving towards that direction.

Mohsin, who has been with the IMF for 29 years, was one of the invited panelists at the forum to discuss the topic "Islamic Banking and Finance : Gaining an edge in an increasingly competitive and global market," chaired by Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz.

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