

28/01/2001

## Malaysia's tackling of crisis praised

Hardev Kaur in Davos, Switzerland

MALAYSIA was praised at the World Economic Forum (WEF) for its unorthodox remedies in dealing with the financial crisis and US criticised for precipitating the crisis and making a mess in South East Asia.

Malaysia's home grown remedies in tackling the financial crisis have not only been accepted by some members of the international community but also cited as an example of how different policies work for different countries.

The WEF was told that while Malaysia's policies were initially criticised by the world including the multilateral organisations such as the International Monetary Fund (IMF) the reality today is that the policies have worked.

This has been grudgingly acknowledged by many of its critics, including those in the US and the multilateral organisations.

Shintaro Ishihara, Governor of Tokyo, said in view of this the US administration "needs to do a lot of soul searching of its own" as it is behind the IMF decisions.

The co-author of a book entitled "A Japan That Can Say No" and another which he co-authored with Prime Minister Datuk Seri Dr Mahathir Mohamad "The Asia That can Say No" also blamed and criticised the US for precipitating the Asian financial crisis of 1997-1998.

He said for many years South East Asia was growing very strongly and US companies had lent short term funds to the region thereby creating a bubble economy.

The lenders then suddenly pulled out thereby "bursting the bubble and causing the economies to collapse". Even the rating agencies such as Standards and Poor (S&P), which had accorded high sovereign ratings to the economies suddenly downgraded them causing confusion in the marketplace and a further outflow of funds. "I think this was intentional," Ishihara he contends.

He described the IMF prescription as "so foolish" pointing out that economies are dynamic and this (dynamic environment) cannot make for standard prescriptions. The IMF "which is controlled by the US" does not make any major decision without approval of the US Congress.

Hong Kong's Ronnie Chan agreed with Ishihara that while the IMF is in the forefront but "most know that the US is behind the actions and decisions" of the multilateral organisation.

As one of the few Japanese outspoken critics of the US, Ishihara implied that the US policy decision was "foolish" in dealing with the Asian crisis which made the situation worse.

He pointed out that "US policy is not only contradictory but also unfair". It had set up regional cooperation with the North American Free Trade Area but opposed the establishment of the East Asia Economic Caucus.

"Is it any wonder that the Asean Finance Ministers, who met recently, did not appreciate the IMF remedies?" he asked.

Ronnie C. Chan, Chairman of Hang Lung Development Company, Hong Kong, said the problems in Indonesia and Thailand were made worse by IMF policies. "In fact the US messed up South East Asia."

He noted that South Korea was praised and questions were asked why Indonesia and its economy was not responding to policies as Seoul was, Chan told the Forum "It showed a lack of understanding of the local situation and conditions. Indonesia is not South Korea".

Citing examples, he said the US and IMF insisted that Indonesia remove food and fuel subsidies which had been in place for a long time. "You do not remove them overnight. This created disruptions and further chaos in Indonesia." he said.

Similarly demands in Thailand for closure of banks discriminately caused more problems and certainly "shows a lack of understanding of local situations and the impact the actions have on the locals".