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SURVIVOR  
of Asian  
financial  
crisis

MALAYSIA'S Prime Minister, who knows a few things about a financial meltdown, says Argentina needs to shape its own solution to survive its current mess.

Datuk Seri Dr Mahathir Mohamad bucked the conventional wisdom of the International Monetary Fund (IMF), investors and armchair economists who forecast catastrophe in 1998 when he pegged the Malaysian currency at RM3.80 to the US dollar.

The peg, still in place, cushioned Malaysia from suffering the worst effects of the wild currency fluctuations of the Asian crisis, which saw a wave of speculation and sudden investment withdrawals destroy businesses and send the once-sizzling economies of the region into recession.

Malaysia suffered, too, but not as badly as its neighbours. And the peg gave the economy an anchor of stability as growth returned, waned with the global slowdown last year, and appears to be back again for 2002.

For Dr Mahathir, 76, Asia's longest-serving leader, the lesson wasn't so much that a currency peg was the salvation, but that countries need to be freed from dogma and adopt any solution that works.

Dr Mahathir, in an interview yesterday said that the current financial crisis engulfing Argentina started with a peg one peso to one US dollar — but it ultimately failed to work.

“Argentina fixed its exchange rate much earlier than us and nobody condemned them,” Dr Mahathir said.

“Now, they have floated their currency and we can see that it has come under attacks and is causing a lot of problems,” Dr Mahathir said.

“I think they should look elsewhere to find the solution to the problem of Argentina,” Dr Mahathir said. “The idea that you can have one solution to all their problems is wrong.”

One place Argentina is looking is the IMF, which Mahathir excoriated in the late 1990s as inept and too beholden to Washington.

An IMF team is to arrive in Buenos Aires next week. The visit is expected to focus on the lending agency's calls for deeper cuts in government spending. Chronic budget deficits led the IMF to shut-off aid in December.

The Government of President Eduardo Duhalde is concerned that further austerity measures could re-ignite social unrest that engulfed the country in December, triggering riots and leading to the resignation of three presidents.

The peso has come under renewed pressure this week, reflecting dwindling investor confidence in Duhalde's ability to win support from the IMF for US\$25 billion in loans his government is seeking. — AP