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Malaysia is right

MALAYSIA has been vindicated. The International Monetary Fund's managing director Horst Kohler has come out openly to acknowledge that Malaysia had handled the 1997-98 regional financial crisis the right way. For that, we have to thank Prime Minister Datuk Seri Dr Mahathir Mohamad who had the courage and foresight to impose capital controls, banned overseas trading in ringgit and introduced the RM3.8-US\$1 peg. There is no doubt that Dr Mahathir's actions saved the country from disaster.

Malaysia was much criticised then for its policies, including by the IMF, as they were deemed to go against the grain of mainstream economics and financial management. But over the last five years, and inspite of doomsday predictions, Malaysia has recovered and emerged stronger. Given this reality, there has been a gradual - though sometimes grudging - shift in opinion, even among the most vociferous critics that Malaysia had got it right in dealing with the crisis. Nothing succeeds like success, and in Malaysia's case, the results speak volumes for the wisdom of Dr Manathir's unconventional decisions to shield Malaysia from economic turmoil without rushing, bowl in hand, to the IMF.

An IMF bailout was a straightforward, easier option but there would have been dire consequences to the nation's social and economic fabric. We could also have lost some of our independence too, at least temporarily, given the intrusive nature of the IMF. This was unacceptable. Being a multiracial society, there is always the danger that social and economic dislocations could create tensions along racial lines and undermine political stability. The social engineering to restructure society and eliminate racial imbalances could also have been jeopardised under any IMF bailout.

South Korea, Indonesia and Thailand which took the IMF-route suffered from massive corporate bankruptcies, unemployment and fire sales of assets to foreigners at rock-bottom prices. Malaysia did not go through these painful adjustments. But we recovered just the same. We did it our way.