

09/09/2003

When the IMF came to town, time to clear the baggage and move on

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IN A meeting with International Monetary Fund (IMF) officials just ahead of its managing director Dr Horst Kohler's visit last week, the question that surfaced most was, what do Malaysians think of the IMF? Are they still angry with the IMF? And if so, why should they be when Malaysia did

not even take up the IMF's remedy?

The officials were also concerned that people would be reading a lot into the visit. Kohler, they said, had accepted the invitation of Prime Minister Datuk Seri Dr Mahathir Mohamad and Second Finance Minister Datuk

Dr Jamaludin Jarjis, that was all. Furthermore, he was on his way to the Asia Pacific Economic Cooperation finance ministers' meeting in Phuket, Thailand, and it was nice to swing by.

They stressed that it had nothing to do with the fifth anniversary of the capital controls, which was a couple of days before; nor was it to coincide with the release of the gross domestic product numbers for the first half of the year, which were quite good; nor the budget announcement

this Friday; and neither was it due to the retirement of Prime Minister Datuk Seri Dr Mahathir Mohamad at the end of next month; nor the upcoming

general elections, which could happen anytime from now till the same time next year.

Why the hypersensitivity? Well, because Kohler was about to give an endorsement to Malaysia's handling of its economy in the wake of the 1997

regional financial crisis. Given the historical baggage, such an endorsement would mean the IMF admitting for once that Malaysia was right, and it was wrong.

Kohler even alluded to the stormy relationship during his address at the Malaysian Press Institute/National Press Club function last week when he said a family member was not sure if he should come to Malaysia at all. There was some bad blood, and he could be hounded out of town.

Well, for a start, the IMF, at the height of the regional financial crisis was extremely critical of Malaysia. When Malaysia introduced selective capital controls on September 1 1998, pegging the ringgit to the

US dollar and curbing the outflow of funds, through its papers and former

managing director Michel Camdessus' sniping remarks, the country was turned into an international pariah. It was the IMF way or the scrap heap of history.

There we were, a nation, and region, under economic siege. Our businesses crumbling due to the sudden devaluation of the ringgit; our

income per capita slashed by almost half; our confidence put to the test;

and, truth be known, the country on the verge of bankruptcy.

And yet, we were talked down to and humiliated by Camdessus and his ever

so subtle political interference when repeating the mantra of cronyism, collusion and corruption.

Our self-styled capital controls were suicidal, our governance was disastrous, and, perhaps unintentional, the subtext of the message was that those brownies in the East knew nuts about economic management. The currency traders were never at fault, it was you, he said, wagging his finger at our faces.

The rioting in Indonesia and the fire sale of assets in South Korea and

Thailand, all IMF client countries, suggested that we were probably right

in taking our destiny into our own hands.

The collapse of hedge fund Long-Term Capital Management and the subsequent corporate scandals in the US and elsewhere suggested that these

people in their glass houses should not have been so quick to condemn us in the first place, that they are equally vulnerable and that unfortunate

things can happen to anyone - whether at Wall Street or here.

Over the years, we have been comforted by the fact that the selective capital controls worked and the country was slowly on the mend.

Do we need Kohler's telling us, with hindsight and five years on, that the measures we adopted were right? To a large extent, No, we have found that they worked. Maybe, we were lucky that all our planning and the stars

were working together these past few years and carried us through thus far.

But we are human after all. We need vindication, even if it is worth nothing more than a salve for the hurt that was inflicted five years ago.

It does not add spring to our step nor money in our pockets, but Kohler's

words will remind us that there is nothing wrong in trusting our better judgement than those presiding in an office in Washington who stick pins to mark troubled spots on the map of the world.

The IMF, it must be admitted, has done some soul searching of its own with regard to its conduct during the financial crisis. It admits that its

dogmatic approach to economic remedies can be a recipe for disaster, a case in point being Indonesia where the removal of a sort of social safety

net resulted in social and political instability.

Kohler declined comment when asked whether the IMF is a kinder, gentler

institution under his watch. But his description of the fund now - more understanding, more conscious of social issues, more aware of cultural differences - suggest that things have changed. In fact, some suggest that

the IMF is becoming more like the socially conscious World Bank, only

with
a bigger bank account.

It is even abandoning its one-size-fits-all cookie-cutter solution that it used to impose on troubled economies.

Kohler was even saying the right things about globalisation, that it should not be at the expense of poorer countries, and that the IMF has a role in making sure that it is not a zero-sum game to be dominated by the advanced nations.

But the IMF was, and still is, seen as an appendage of the US State Department, as an instrument of Washinton's regime change, way back when the phrase was yet to be a household word.

Who can forget the picture of Camdessus, arms folded, looking down sternly at a defeated President Suharto seemingly signing away control of his country. It is a picture that the IMF will probably need to live down for many more years to come.

Apart from Suharto, the IMF's use of a purse-tightening strategy was also said to be instrumental to a certain extent in the removal of President Habibie when he was no longer favoured by the Western powers and, many suspect, Gus Dur as well.

In Indonesia, the quest for regime change by the US saw the IMF withholding for months the loan to a helpless country on the verge of social chaos while at the same time, in the fall of 1998, almost immediately offering a credit line to Russia when that country was defaulting on its debts. Obviously, the US, concerned about the danger of anarchy in a country with 3,000 nuclear warheads, had suggested to Camdessus to comply.

Thus, lest we be too quick to embrace this new IMF, we must be equally quick to remind ourselves that the IMF is still a Western-controlled institution. While it is not fashionable to identify ourselves as Easterners or Westerners, especially in this globalised and enlightened world, we should nevertheless be mindful that we are the better judges of our interests.

Hence, it is good that Kohler is not against the idea of the Asian Monetary Fund as a way to prevent the debilitating effects of the regional financial crisis from recurring. Camdessus, it must be noted, was against such an institution.

Some suggested that the IMF, despite its praises of Malaysia's handling of the crisis, could be a fair-weather friend. It could, under different circumstances, not be as kind as now.

So, can we forgive the IMF? We should be bigger than that. While not wanting to sound like a one-trick pony, the bottom line, in this case, is that the IMF was wrong and Malaysia was right. Then we all should move on.

I would think Kohler's visit is good for the soul, not only for

Malaysia, but also the IMF. It can now get rid of the nagging matter of how it had not been fair to many countries, including Malaysia, in its statements and remarks.