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## Book Review

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# A look at Malaysia's capital controls

by Dino de Paoli

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### Healing the Wounded Tiger: How the Turmoil Is Reshaping Malaysia

by Tan Sri Ramon V. Navaratnam; foreword by Malaysian Second Finance Minister Dato' Mustapa Mohamed  
Selangor Darul Ershan, Malaysia: Pelanduk Publications, 1998

151 pages, paperbound, \$9.90 (all proceeds from this book go to charity)

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With the bold decision on Sept. 1, 1998 to impose selected capital controls, Malaysian Prime Minister Datuk Seri Dr. Mahathir bin Mohamad has made his country the reference point for all who are interested in saving their nations from international speculators and who want to fight for a financial system that is more adequate for real economic development.

Many had predicted that Malaysia would not withstand the pressure of "isolation" and would collapse. On the contrary, the country is showing clear signs of recovery, especially compared to others that had to adopt fully International Monetary Fund (IMF) conditionalities.

*EIR* has covered, through recent interviews with Dr. Mahathir (*EIR*, Feb. 12) and First Finance Minister Tun Daim Zainuddin (*EIR*, Feb. 19), and in articles, different aspects of these developments. Whoever would amplify his understanding of Malaysia's development in the context of the international crisis, and whoever would question if there is a "hidden agenda" behind the otherwise incompetent IMF policies, is strongly advised to read this book.

Tan Sri Ramon V. Navaratnam is a distinguished former civil servant and corporate personality. He was an econo-



Tan Sri Ramon Navaratnam

mist with the Malaysian Treasury for 27 years, where he rose to become its Deputy Secretary General. He was also Alternate Director on the Board of Directors of the World Bank in Washington, D.C. In 1986, he became Secretary General of the Ministry of Transport. After retiring, in 1989, he was appointed CEO of Bank Buruh. He is currently corporate adviser to the SungeiWay group of companies, executive director of Sunway College, and a director of the Asian Strategy and Leadership Institute. He continues to serve the Malaysian government as vice chairman of the Malaysian Business Council, and is also on the board of directors of Matrade. He is the author of two previous books, *Managing the Malaysian Economy: Challenges and Prospects* and *Strengthening the Malaysian Economy: Policy Changes & Reforms*.

In general, I agree with Tan Sri Ramon's thesis that the "Asian crisis," which hit in summer 1997, had two immediate causes: first, international speculation, and, second, internal mistakes by local governments.

Starting with the second point, and to reinforce Tan Sri Ramon's perception, I quote from the National Economic Recovery Plan, published in August 1998 by the Prime Minister's Department: "There were some disturbing signs before the crisis. The economic growth was above potential output. . . . There were also excessive credit expansion to the non-tradable sectors, especially property and purchase of stocks and shares" (p. 2).

This says quite a bit about how *all* countries are setting themselves up to be destroyed by the global speculative bubble. But this is not, and will not be, limited to Asia, as has become increasingly apparent since the August 1998 Russian debt moratorium and the [January 1999] rout of the Brazilian currency, the real. Europe and the United States will be hit, although until now they have managed to stay afloat by sucking resources into a hyperinflationary speculative bubble at the expense of the liquidity and economic and social welfare of the hardest hit nations. The IMF's monetary tourniquet made the situation worse, as that institution has grudgingly conceded.

### Is there a 'hidden agenda'?

On the international side, Tan Sri Ramon rightly poses the question: Were these just wrong-headed policies or was there also a "hidden agenda," a willful intent to impose knowingly wrong-headed policies? In both cases, Prime Minister Mahathir was correct to take the action he and his government did to resist them and to name the names of those behind the looting.

Tan Sri Ramon also asks: Is the IMF an instrument of a policy to destroy developing countries? Is the IMF an American tool? Is the declaration of U.S. Secretary of State Madeleine Albright about the need "to take more of the bitter medicine prescribed by the IMF" simply nonsense, or, especially coming out of the mouths of other U.S. government representatives, is this part of U.S. policy support for "gobble-ization,"

the cannibalistic foodchain of “mega-mergers” that is leading to “super-big” conglomerates?

It is understandable why the word “conspiracy” appears in the book. There is no other obvious explanation for the nature of the speculative attacks, but, even more, for what followed: The medicine prescribed turned out to be poison! I fully endorse Ramon’s statement: “A little over a year after the economic turmoil, we are thankful that we did not call in the IMF” (p. 60). I highly recommend reading his detailed account of the effects of the IMF recommendations.

Where I tend to diverge from Tan Sri Ramon, is when he seems to focus too much on the “not so invisible hand” that slammed Asia, at the risk of leaving out the brain that moves the hand. In my view, the brain is not in the “U.S.A. oligarchist,” nor in the “American military-industrial complex” (p. 47). However, having recently been in Asia, I could see first-hand the disgusting end-result of American policy as, for example, in Cambodia. America has nobody to blame but itself for a growing sentiment of anti-Americanism, stemming from the combined effect of failure to act and actions wrongly taken.

But it is necessary to go a bit more in depth, so as not to fall into the trap of accepting, on their say-so, the anti-IMF protestations of the likes of Sir Henry Kissinger; Jeffrey Sachs, architect of the initial “more shock, less therapy” for Russia; and George “If I didn’t steal it, someone else would” Soros.

### The systemic nature of the crisis

This is not an East vs. West, North vs. South battle. *EIR* founder Lyndon H. LaRouche, Jr. has repeatedly addressed the species character of the British-steered “oligarchy” and how we came to this time of crisis, most recently in his campaign platform for the 2000 Presidential election, “The Road to Recovery” (*EIR*, Feb. 19). What must be stressed is the *systemic* nature of the current crisis, the existential crisis of industrial capitalism. The United States, like Malaysia, is a target for destabilization, the ultimate target on the “hidden agenda” of the “post-industrial” oligarchy. For this reason, because this hidden agenda is the enemy of all nations, Tan Sri Ramon is very near the mark when he says that issues of “individual human rights” are today mostly used as an excuse to impose “suppression of community and national human rights” (p. 62).

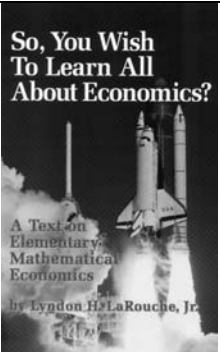
The unfortunate truth is that, as Tan Sri Ramon says, we are facing a “lack of U.S.A. leadership at a time of crisis” (p. 23). In unusual times, we need not only resist IMF policies, but arrive at a global reform of the system, so as to allow an economy to feed its people, not speculators. Tan Sri Ramon has interesting ideas in the direction of the reforms of the financial system, in the context of a “New Bretton Woods” and for true *international* transparency of markets.

As for Malaysia’s domestic economic policies, he contributes proposals for the difficult task the government faces: how to fight deflation; how to generate real credits for development without creating massive inflation with interest rates running in the double-digits; what role serious foreign investors must and can play.

### Investment priorities

He rightly stresses that there is a need to clean house a bit: to reform the banking system, to restructure domestic debt, and to fight some forms of nepotism. I can only fully endorse his pledge of “no good money for bad money,” but especially his stress that credit generation has to be prioritized for small and medium-size industries, infrastructure, and agriculture, for example, and less for mass consumption, which is politically necessary, but a short-term solution. Tan Sri Ramon writes: “We can have a deficit, [but] with more allocations made for development expenditure . . . infrastructure, transport, water, schools, hospitals, housing.”

I would concur, after reading the government budget for 1999, with Tan Sri Ramon’s optimistic note that “the Malaysian tiger will again leap forward,” and we have to do our best in the international arena to make that leap possible.



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