

Global Governance

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Pathways Through Financial Crisis: Malaysia

Summary

Malaysia did not turn to the International Monetary Fund for assistance when pressure from the 1997-1998 East Asian financial crisis hit the country. The country was less vulnerable than its neighbors, not least because it had earlier imposed limits on foreign borrowing and prudential regulations and supervision of the banking sector. Although Malaysia's pathway through the 1997-1998 crisis included an orthodox adjustment program of the type the IMF would have required, this program was soon reversed in favor of reflationary monetary policies and the imposition of a short-term capital control regime. These responses took place against a backdrop of political intrigue and drama, but they reflected an underlying pragmatism and recent history of using capital controls and of not turning to the IMF.

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