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Entrepreneurs must set local priorities

HARVARD: A grouping such as the East Asia Economic Caucus (EAEC) would have been very useful now especially with the Asian currencies under attack. It would have offered members an avenue through which to coordinate their reactions to the onslaught and to act in concert.

Instead, countries were left to their limited and individual devices and resources. It is very clear from recent events from Prime Minister Datuk Seri Dr Mahathir Mohamad's repeated statements that individually, Asian and certainly South-East Asian countries are powerless to face a serious onslaught from powerful external forces.

However, as a group, the East Asian countries would be in a better position - with more resources and perhaps economic clout - to reduce the impact if not avoid the adverse effects on their domestic economies.

The combined resources available in the East Asian economies - some of the world's highest foreign reserves are in Japan, China, Singapore, Taiwan and South Korea - would be better able to face up to external challenges.

Collectively, the countries in the region have sufficient financial strength. Individually they have meager resources which are insufficient to cope with the onslaught. Even Japan, a member of the Group of Seven (G-7) industrialised countries, realises that it is powerless to act alone, despite being the world's second largest economy.

It is still not too late for the EAEC. In today's borderless and increasingly uncertain world, there is every reason for Asian countries to work together for mutual benefit. They need a forum to discuss their common problems and come up with ways to react to them so as to cushion their economies from being undermined or ruined.

The fact that countries in East Asia and even Asean, to a certain extent, are not united in facing the external challenges makes them increasingly vulnerable.

The division in Asean has been exploited by the major economies more than once. The recent currency crisis is just one such example. It could be worse and there could be even more attacks in future.

There is no alternative, in the present globalised world, but for Asian countries and especially Asean to be united if they are to fight the "economic war" and protect their economies and citizens.

The "attackers" know the "weaknesses" and with their powerful "financial armies" are able to destabilise weak developing economies. These attackers can erode the wealth and undermine the hard work put in over years in just a matter of days and hours.

The erosion of market capitalisation in Asean economies in recent weeks proves this. The full impact of the crisis on the individual economies and their peoples is yet to be computed and undoubtedly the effects will be felt down the road. But even in the short term it has been shown that developing countries continue to remain vulnerable no matter how hard they try to protect themselves.

Free and open trade is the battle cry of many developed countries today. Liberalisation of the financial and services sector is now being pushed by the US and developing countries are being asked to speed up liberalisation and to open their economies even more.

Having opened their economies and liberalised to meet demands from developed countries, developing countries have no defense or control over

their own domestic institutions and economies from the "powerful forces and armies" in the developed world.

As the events of recent weeks have shown, the impact of open economies can be disastrous and can very quickly undo years of hard work and sacrifice.

The robust growth of Asean economies has attracted the attention of many in the developed world as well as those in the multilateral institutions including the World Bank and the International Monetary Fund (IMF).

It had been forecast that at the "blistering" rate that the East Asian economies had been growing they would overtake many of the developed countries by the early part of the next century. This made many in the West uncomfortable as their pole position was being threatened.

The Asian progress and development was described by the World Bank and many others as the "East Asian Miracle". This ignored the careful and systematic planning that is the hallmark of many Asian societies and certainly of Malaysia. This coupled with the political stability, hard working and educated population had attracted foreign investments and entrepreneurs to these economies.

While foreign investors, including those from the developed West, put their funds into Asian economies to reap benefits and increased profits (higher than those in their home countries), they were also unhappy with the progress that has been made by developing countries.

Despite the economic fundamentals in Malaysia remaining strong, the onslaught and attack on the currency has shaved off some RM500 billion in market capitalisation and the ringgit has weakened considerably against major currencies.

While foreign funds may move in and out quickly, depending on their needs and focus, it is important that Malaysian investors and entrepreneurs continue to have faith and confidence in the Malaysian economy and not follow foreign investors and go on a selling spree and undermine government efforts.

The locals have a greater stake in the Malaysian economy than anyone else. The local entrepreneurs should have greater faith and confidence in their own economy and its fundamentals and not take the cue from foreign fund managers and developments abroad.

By following in the footsteps of foreign investors to sell now local, investors will only be cutting their nose to spite their faces. Local businessmen and entrepreneurs have as much at stake in ensuring that the market recovers and the economy remains fundamentally strong as the government itself.

The government on its part has announced several measures including the RM\$60 billion fund to assist the market. It is now for the businessmen to do their share.

Many entrepreneurs and businesses have reaped healthy profits in recent years - thanks to government efforts, policies and regulations. Perhaps it is not too much to ask that they now do their part to supplement and complement government efforts. They could form strategic alliances, pool their resources and set up a fund to support the market and buy as the prices are cheap. At the same time they should not just follow foreign investors and sell their shares.

After all, if the economy is adversely affected and the KLSE continues its downward trend, businesses, profits and by extension the entrepreneurs themselves will be affected.

The entrepreneurs who have derived benefits and chalked up huge profits over the years due to business friendly government policies should recognise, admit this and now come forward to assist the government in turn. In the end the beneficiaries will be the businesses, entrepreneurs

and the Malaysian public in general.
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