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## Managing a globalising economy

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HEADLINES in New Zealand's The Dominion newspaper tell a lot about the interdependence of the world economy and about the importance of Southeast Asia in that equation.

"Asia's currency turmoil hits NZ beef," says one story. It goes on to express fear that the decline in the value of the Asian currencies against the New Zealand dollar will affect meat export to Southeast Asia adversely.

In another, it reports that while analysts remain bullish about Air New Zealand's profit in the year ahead, they are wary of any prolonged impact from the weakness of Asian currencies.

And New Zealand funds, specifically those investing in Asia, were reported to have taken a knock after the plunge in Southeast Asian share markets in the last two months.

Of course, The Dominion, like many other newspapers in the world, could not resist taking a pot-shot at Southeast Asia over the region's currency and stock market turmoil.

In its Wednesday's editorial headlined "Asian tigers in trouble," the paper says: "One unchanging truth about the markets is that they change. If the politicians steering Thailand, Malaysia and other tiger economies in Southeast Asia had kept a firm eye on that fact, they might have spared their region much of the pain it is currently experiencing."

Understandably, The Dominion did not take kindly to Prime Minister Datuk Seri Dr Mahathir Mohamad's criticism of the "racist" Western financiers. It alleges "economic mismanagements" on the part of Thailand and Malaysia.

These may be very strong words, but they show how some outsiders view our economy in particular and the economies of the rest of Southeast Asia in general following the currency and stock market crisis.

The tendency is to dismiss such a view as erroneous and, therefore, undeserving of attention. But in an interdependent world, opinion can be as important as the real thing. It shapes decisions and actions.

This is clearly the case with our economy. Although the fundamentals are strong, they are either not as widely known or are ignored at the time when our currency and stock market were under attack.

But not everybody who was involved in our money and stock markets during the so-called "bloodbath" was a speculator or manipulator. In the case of the stock market, most of the participants were genuine investors at home and from abroad. They, too, were victims.

Hopefully, the outcome of the series of meetings involving Dr Mahathir, Deputy Prime Minister Datuk Seri Anwar Ibrahim, the Economic Adviser to the Government, Tun Daim Zainuddin, and international fund managers had gone beyond solving the "misunderstanding of the KLSE rules".

While the series of rules and regulations introduced by the Kuala Lumpur Stock Exchange, either on its own or in consultation with the Securities Commission, might have caused the misunderstanding, hence the dumping of Malaysian stocks, the relevance of the longer-term measures like Bank Negara's ruling on loans for share and property purchases cannot also be ignored.

The changing of rules - like the recent lifting of the levy on purchases of properties by foreigners introduced last year - can be seen as a sign of pragmatism as well as of indecision.

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MORE importantly, we have to be mindful of the fact that the entire exercise to revive the stock market and to re-establish the position of the ringgit will be futile if no lesson is learnt and no long-term measures are taken to strengthen the economic fundamentals.

To begin with, all parties concerned with the development of the stock and money markets must do more than just ensure their efficient day-to-day running.

If the markets are prone to excessive speculation and manipulation by international fund managers and speculators like American George Soros, as had been alleged, they should learn to track and understand long-term trends so that the country is better prepared to face a similar attack in the future.

The lack of money cannot possibly be an excuse. Both the SC and KLSE collect hundreds of millions of ringgit annually in the form of levies and charges expressly for market supervision, research and development, training and promotion.

As important as managing and supervising the market, the agencies involved should enhance their capacity to advise the Government. This means having the necessary expertise and the courage to tell the Government the truth about the market and its operations.

The steady recovery of the stock market and the ringgit on the back of the intervention by government-back funds and the return of foreign funds should not lull us into believing that everything is fine once again.

The worst may be over for the stock market and the ringgit. But not everything about the economy is glowing. While the overall fundamentals are satisfactory, there are aspects of the economy that need to be remedied.

The concern about the deficit is real, although the latest figures show a smaller gap on the trade side. But with the ringgit being off its best, the pressure on the overall balance of payments is bound to increase.

The announcement by the Government that some major projects will either be scrapped, delayed or scaled down had received positive response from international fund managers and other traders.

In addition, Anwar, who is also Finance Minister, had said the Government would immediately cut expenditure by two per cent, defer decisions on privatisation of projects and review large foreign purchases.  
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UNLIKE many other countries which also suffered share price and currency decline in recent months, Malaysia has much greater room to manoeuvre, thanks to its longer-term planning and abundant natural resources.

Take, for instance, the generation of much needed power. Although large-scale hydroelectric development has been identified as the most economical and cost-effective method of generating electricity in the long run, development cost is higher and the time needed is longer.

The faster and cheaper method is to build coal- or gas-fired power plants. Although Malaysia does not have large reserves of usable coal, it has considerable reserves of natural gas which, according to informed sources, are much bigger than is generally known. So, delaying or even scrapping a large hydroelectric project will not affect the country's power supply.

Similarly, delaying the implementation of several major property and infrastructure projects will not cause strains on consumers. In the case of property, it will allow the market to absorb the glut.

Then there is the question of competitiveness. In theory, the cheaper ringgit should increase the competitiveness of our products in the world market. But as our manufactured goods in general have high import contents, the cheaper ringgit makes the importation of raw materials and

machinery more costly.

We either pay more for the imported components and earn less from exports or find ways to produce more of the raw materials and components ourselves.

The other weak point in our economy that needs to be addressed is productivity. The painful truth is that our productivity is not as good as we think it is. This has worsened in recent years with the rapid rise in salaries on the back of declining skills and falling loyalty among the young workforce.

Here, a gradual decline in the rate of growth as openly envisaged by the Government may prove to be our ultimate saviour. The adjustment and restructuring of the manufacturing and services sectors could check the salary increase and weed out the unproductive workers.

It may be painful and politically troublesome for the Government to see workers losing their jobs. But in the long run, this is better than betting on an economic structure that is flabby and wasteful. The very fact that we depend so heavily on foreign workers is an indication of this wastefulness.

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THANKS to reader Fuad Abdul Rahman of Ampang Jaya for his forthright comment on last week's column regarding Islam, its practices and priorities in Malaysia.

Saying he is neither an ulamak (scholar), ustaz (teacher) nor scribe, Fuad wrote: "I am flabbergasted at this obsession with the tudung (a woman's headscarf) as it has over the years never failed to be mentioned by one Muslim or Muslimah (a female Muslim) leader or another to stress a point."

Fuad also took exception to Dr Mahathir's comment at last week's Umno general assembly that people who covered their heads committed as many sexual crimes as people who did not.

A thoroughly modern woman journalist who wears a tudung said she, too, was slighted by the statement, adding that many of the Muslim men and women seen covering their heads in the papers and television did so only after they were caught and charged with committing crimes.

But to be fair to Dr Mahathir, the statement on the tudung has to be seen within the context of his address on the issue.

Fuad went on to quote the Quran (An-Nur) as commanding the wearing of the tudung by (adult) Muslim women, and to remind - in his beautifully crafted letter - "the learned scribe" of the "woe betiding Umno members and leaders if only one of them feels that the Quran was sent down only for the Arab of the time of the Prophet".

No disagreement here. In fact much of Dr Mahathir's elaboration of the subject concerned the miraculous change Islam had brought to the jahiliah (ignorant) Arabs and other civilisations; Islamic and non-Islamic alike.

Dr Mahathir went on to point out that it was only after the time of the Prophet and during the period of the Universal Caliphate that the teachings of Islam began to be politicised, misinterpreted and abused.

Again, there is no disagreement with Fuad's second point that it is "very wrong (if not a sin) for any Muslim to view Islam through the tudung". Instead, said Fuad, the Muslims should view the tudung through Islam.

He said: "I will concede that not everyone who wears one is a saint and is, therefore, holier than the next who does not. Having said that, a wearer who has it on for the right reasons is definitely better than the one who refuses to admit that it is a commandment, or, accepts that it is a commandment but for reasons best known to her refuses to have it on."

I do not think I have a big problem accepting Fuad's other arguments.

But I still think that we need to have a clear vision and priority in implementing and practising Islamic laws.

I am particularly attracted to his views about crime and punishment in response to my comments. He wrote: "Whilst I agree with you that putting behind bars fathers who raped their daughters and other girls is more important than arresting beauty contestants, I would hasten to add that in an Islamic environment, a convicted rapist is executed. And in the case of religious officials who stole the zakat (Islamic tithes) money, upon conviction, they will find themselves headless."

At a time when we are waging war against corruption and abuses in our society, I do not think any Muslim can find fault with Fuad's recollection of Quranic stories of the horrible things that happened to people like the Pharoahs who were rich, the Madyans who were astute (shrewd) and the Thamud and 'Ad people who were expert builders.

Said Fuad: "Their ends were tragic and their sins?"

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