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New thinking on capital is needed

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THE general tendency in a difficult, challenging time like today is to batten down the hatches and hope to weather the unfavourable circumstances.

But the problem is that unfavourable circumstances may not go away precisely because we are drawn to the safety of our familiar surroundings.

In fact, following the attack on the ringgit and the stock market, our economic landscape is not as familiar as it once was.

And with the nation's economy rapidly globalising, there may no longer be a safe hiding place. We have to look far beyond our shores to recapture that familiarity.

We have to think global or at the very least, take global factors into account when seeking solutions to domestic problems.

This approach is most important in our continuing effort to retain our position as a global trader and to make our mark as a global investor.

With the ringgit having shed over 20 per cent of its value and the stock market 50 per cent of its capitalisation, investing abroad is not going to be easy.

This was the point highlighted by Prime Minister Datuk Seri Dr Mahathir Mohamad in his chit-chat with Malaysian businessmen at the end of his 12-day, four-nation South American tour last Friday.

Speaking to them in Buenos Aires, Argentina, Dr Mahathir said they had to rethink their trading and capital raising strategies.

While in the short term, the cost of Malaysian products will be cheaper due to the fall of the ringgit, in the longer term, their competitiveness will decline when the cost of imported components increases due to the more expensive US dollar.

To overcome or, at the very least, to minimise, the impact of rising input cost, Malaysian manufacturers should look beyond the traditional supply sources.

No less important is to improve the productivity of workers and minimise defects. This is as good a time as ever to aim for zero defect.

As for investing and trading abroad, Dr Mahathir advised Malaysian businessmen to depend less on ringgit denominated capital or capital raised at home. They should instead raise more capital abroad.

One way of doing this, said the Prime Minister, was for Malaysian investors to carry out trading at the same time or to work with established traders. Through this they can raise capital more cheaply than buying the US dollar or other currencies using the ringgit.

This method of doing business is also useful in countries with limited domestic capital and poor international marketing.