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Time for a no-nonsense approach

WILL the setting up of a trouble-shooting economic council help end Malaysia's financial woes? This is a question many are asking of a proposal by Umno Thursday night to establish a National Economic Action Council to handle the currency and stockmarket crisis. The country already has the high level Malaysian Business Council chaired by Prime Minister Datuk Seri Dr Mahathir Mohamad to look into the problem. There are also various economic think-tanks, from the Malaysia International Economic Research to the Institute of Strategic and International Studies, that could point out where the economy needs bolstering. And there are relevant units at government departments and at state level. What difference would another national body make?

That will depend on a lot of factors. Dr Mahathir's chairmanship of the NEAC is a good start; it would not only provide the body with clout and the power to take immediate action to overcome problems, but will also help bridge whatever communications gap there may be between his thinking and the minds of those who will sit on the council. His presence, and that of Cabinet ministers with economic-related portfolios, also signals political will. It is important, though, that we ensure the council is not overpopulated by politicians and civil servants. There is a need to include experts, economists, analysts, private sector leaders, consumers, and representatives of foreign business councils or chambers with a strong presence in Malaysia. A diverse membership will ensure that the council receives the input and feedback necessary from various interest groups, instead of relying on guesses or assumptions.

The council needs to do more than trouble-shooting; it must also identify areas where growth will be critically beneficial to the economy and introduce measures to boost these activities. Malaysia's high-technology exports, for example, would be cheaper and more attractive now, and there should be policies to boost a systematic growth in output and exports of related products. At the same time, the NEAC must be bold enough to defer or halt unproductive projects and dissuade the imports of luxury items that will inflate the country's current account deficit. These include the use of foreign consultants, expatriates and guest workers from neighbouring countries. Cost-cutting measures and steps to boost productivity must be on-going and should not just involve trade unions refraining from making excessive wage demands. The council should act on a proposed productivity-linked wage system that has been put on hold for far too long. Singapore adopted this salary system after the mid-1980s slowdown, despite protests from workers and employers, and its establishments have been coping pretty well during the current turbulence.

The NEAC must also shoot straight from the hip at the problems causing the financial crisis or arising from it. While the council should not be trigger-happy in going about its job, it would be worse if it freezes or falters when it needs to. In order to help restore confidence in the currency and the stock markets, all quarters must live within their means. The Government has said that some Malaysians had collaborated with foreign funds to bring down the markets and the economy; the council must therefore flex its muscles and gain the confidence of the public by exposing these people or acting against them. Some companies will need to go under because of their over-exposure to debt, their inability to cope with the financial turmoil or their expensive imports. The council must

try and find the means to help them - just as abandoned projects were revived in the aftermath of the mid-1980s slowdown - but there should be no bail-outs.

A no-nonsense approach is needed to address the persistent crisis, and the NEAC must act as an instrument to execute this measure. Less than that, and economic recovery will remain a dream. And that would be a shame, since we have very strong economic fundamentals and the people have generally been giving solid support to the Government on this one.

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