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A case for the rescue

THE announcement by Prime Minister Datuk Seri Dr Mahathir Mohamad last Tuesday that the Government is considering the establishment of a National Economic Intensive Care Unit to restructure Malaysian companies signals the presence of political will to take practical and business-oriented steps to protect national interests and assets. If the Malaysian way has been successful in building a strong economy, the Malaysian way should be able to overcome the present problems.

To a degree we can be proud of ourselves for not having to seek the assistance of the International Monetary Fund to rescue our economy. The move to set up the unit is further justified if we look at the fate of Thailand, South Korea and Indonesia which had resorted to IMF bailouts. The IMF bailout of these countries imposes a heavy political and social cost especially on the middle class and the poor of those countries.

The financial systems of the affected countries might have been saved and some international lenders assured of their money. But the high interest rates mandated by the IMF have killed even good businesses, resulting in massive job losses. Prices of essential foodstuffs have gone up causing inflation to sky-rocket. Indonesians and South Koreans have taken to the streets to protest against the IMF conditions.

Our proposed restructuring programme should be aimed at dealing directly with the root cause of the economic problems. The private sector, which in the last decade has emerged as the mainstay of our economy, has been badly hurt by the regional crisis. The restructuring programme will inevitably entail reviving some of the ailing businesses.

For the whole of the eighties and up to July last year, our economy had relied on the private sector to become the engine of growth. The high rate of growth from the mid-eighties would not have been possible had it not been for the entrepreneurship and dynamism of the private sector. It is in our enlightened self-interest and in the interest of the country that we should consider the rescue plan positively. We have to bring back that wonderful tonic called growth.

Where the use of public funds becomes necessary, due diligence and management skills are important not only to overcome public fear and objection but more so to ensure the objective of the restructuring is achieved. We cannot use good money to chase after the bad. If these conditions are met, we do not have to apologise to anyone for doing what we think is right to help ourselves.

A great deal of attention of late has been given to the so-called bailout of companies. The impression created is that in Malaysia, we are doing something unusual and unethical. This is far from the truth. We are not alone in wanting to rescue our companies and protect our jobs and our way of life.

Whether it is with the IMF or Western Governments, public funds have been used to rescue companies and businesses. In the United States, public funds were used to bail out Chrysler Corporation, Continental Illinois Bank, and savings and loan associations. The French Government rescued Credit Lyonnais, and computer giant, Groupe Bull. The British Government rescued Rolls Royce. The irony is that these bailouts are perceived as positive.

Let us not sell ourselves cheap. It is widely known that "vulture funds" are waiting in the wings to buy our companies and assets at basement

prices if we make no attempt to protect our interest.
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