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DAIM-POLICY

DAIM: STABLE RINGGIT, BUSINESS CONFIDENCE AND WOOLING FDI TOP PRIORITIES

KUALA LUMPUR, July 22 (Bernama) -- Stabilising exchange rate, building business confidence and attracting foreign direct investments were the government's top priorities when it came out with various policy measures recently to revive the economy, said Special Functions Minister Tun Daim Zainuddin today.

The results of the policies may not be felt immediately since monetary and exchange rate policies often take six to eighteen months to have full impact, he said in his speech at "The Economic Crisis In Malaysia and the Role of the Media" two-day seminar here.

"However, Malaysia's macroeconomic prospect for 1998 and beyond is also dependent on external factors, such as the health of the all important Japanese economy," he said.

His speech was read by deputy minister in the Prime Minister's Department Datuk Dr Ibrahim Saad.

Daim said Malaysia must avoid losing its sovereign right to determine its economic and political path.

"The severity of the country's economic problem could be made worse if there is irrational pessimism about the future which can prove to be self-fulfilling," he warned.

"It can lead to a vicious cycle of capital outflows which in turn can lead to further currency depreciation and falling prices, putting insurmountable pressure on the private sector and undermining the real economy," he said.

Daim stressed that Malaysia's economic crisis was a crisis of confidence and not due to aggregate macro numbers "masking" some micro inefficiencies.

It was brought by contagion effect of sudden withdrawal of foreign short term funds from the region resulting in a gross undervaluation of ringgit, he said in his keynote address.

The Asian exchange rate meltdown is caused by excess speculation and demand for the US dollar relative to its supply, he explained.

Daim pointed out that with the mass media controlled by a handful of people in New York, the focus of any debate becomes monopolised by owners with vested interest, thus sidelining the public or community interest.

For instance, he said although the International Monetary Funds's (IMF) prescription of tight monetary and fiscal policies failed to nurse ailing Asian economies, it remained the standard upon which other alternatives are judged.

"Since when has the IMF become infallible? If anything, their handling of the Asian economic crisis in the past 12 months have failed and failed miserably.

"There is already a growing consensus among the affected countries that a reversal of policies is needed. Even the IMF have conceded as much by permitting some borrowing countries to run a budget deficit to spur growth," he said.

Daim said Malaysia's ideas and alternatives to rehabilitate its economy must be given a fair hearing and in-depth critical assessment instead of being brushed off as "voodoo economics".

When Prime Minister Datuk Seri Dr Mahathir Mohamad blamed the crisis on currency speculators and suggested controls he was a lone voice in the wilderness, Daim said.

"Now his clarion call is echoed from the capitals of the G-24 countries and more recently, Australia and Hong Kong, to the hallowed halls of American Academe," said Daim.

"Alan Greenspan of the Federal Reserve now acknowledges some controls must be in place to prevent a recurrence. Even George Soros, it seem agrees.

"But still, when the Prime Minister suggest any new solution to the crisis that runs counter to the conventional but failed IMF formulae, his views are still considered heretical," he added. -- BERNAMA

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