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Focus on economic recovery

WHEN he unveiled his 30-year vision of an industrialised Malaysia seven years ago, Prime Minister Datuk Seri Dr Mahathir Mohamad said the economy would need to grow at 7 per cent a year to realise the vision. Until the crisis struck, the Malaysian economy was actually doing better than that. Now Malaysia expects to do a minus 4.8 per cent, about the worst growth performance in its GDP history. Next year it is hoping for a 1 per cent growth and after that a steady uptrend. If, or exactly when, the nation can get back the growth momentum of the last decade, during which the GDP exceeded 8 per cent, is not clear now.

But how the economy can still achieve the targets of the vision and the average 7 per cent growth for the 1991-2020 period is clear enough, and that is through very hard work. Not just hard work - because hard work was what Malaysians have been putting in - but extremely hard work. That means factories will have to increase output and efficiency, workers must double and triple their productivity, industries must improve their competitiveness, and the country's finances must remain sound. For the next 20 years or so, efforts need to be focused on improving further the current account balance and not just be satisfied with a surplus that is created out of less imports instead of more exports. The country is among the top 20 trading nations and one of the most competitive, but it needs to improve its position continuously. Low inflation must continue to accompany the growth, and domestic demand needs a major boost. Foreign direct investment must start to come back, big and fast.

But first and foremost in ensuring that Malaysia keeps its date with 2020 is, of course, to get out of the current doldrums. So far, the Government has done remarkably well partly because of the economy's own solid fundamentals. Malaysia could have easily gone Indonesia, Thailand or South Korea's way because of the crisis and if workers had not been reasonable and the people had taken to the streets. But trade unions in Malaysia have refrained from industrial action or preposterous wage demands and the people have generally remained calm and responsible. Also the Government has introduced bold measures to insulate the economy and safeguard the ringgit. The only people shocked by the capital control measures are outsiders. Malaysians more or less knew what to expect from the Government that has been in power for more than four decades and which is responsible for the impressive growth and prosperity before the crisis.

After all, nearly 30 years ago the same Government had introduced the controversial New Economic Policy to achieve the urgently needed socio-economic equilibrium in the aftermath of the 1969 riots. Decades after the NEP was introduced, some outsiders are still calling for its demise without regard for what it has done for peace and prosperity in this country. Certainly the currency controls are no more controversial than the NEP, especially since Outside economists are more familiar with the controls. As in the case of China and others, currency controls have proven to work. But more experts are agreeing with Malaysia or at least sympathising with why it needed to impose those measures. That strong, bullish feeling about the economy, which Bank Negara governor Tan Sri Ali Abul Hassan was alluding to some weeks ago, does seem to be prevalent.

The very hard work Malaysians must do now is to remain united in pursuing these policies and implementing the measures that have been introduced for the next couple of years at least. Businesses will have to

be so cost-sensitive and banks have to settle for much-lower margins. Workers will have to refrain from taking any industrial action that can jeopardise operations and they will have to avoid unreasonable demands and even take pay-cuts. Most importantly, Malaysians cannot afford to be distracted by other pursuits that will only take their minds and concentration away from the very urgent tasks at hand and that is to bring their economy and well-being back to where they were before, and to ensure that their children and grandchildren can grow up, as promised, in an industrialised and developed environment.

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