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GERAKAN-MEMORANDUM

GERAKAN SUBMITS PROPOSALS TOWARDS ECONOMIC RECOVERY

By: Siti Hawa Othman

KUALA LUMPUR, June 27 (Bernama) -- Parti Gerakan Rakyat Malaysia today submitted several proposals towards national economic recovery to the National Economic Action Council (NEAC).

The memorandum, prepared by the party's national economic and research bureau, was handed to Prime Minister Datuk Seri Dr Mahathir Mohamad who officially opened Gerakan's 27th National Delegates Conference here today. Dr Mahathir is chairman of the NEAC.

Among others, the party called for greater accountability and transparency in policy formulation and decision-making, which will reduce the generation and circulation of unfounded rumours.

Also, the nexus between politics and business should be severed, and there should be no commercialisation of politics and there should be no politicisation of commerce as well.

"In the case of bank lending, all too often, the financial market is awash with rumours that a portion of loans has been extended on the basis of political ties rather than financial viability and feasibility of the projects for which the loans are sought", the memorandum said.

Another issue is the award of privatisation contracts to firms that are politically-linked. The signal given is that political connections count for much more than the long-held virtues of entrepreneurship such as hard work, thrift and willingness to take risks, Gerakan added.

Another proposal is for the policy framework for the promotion of industry, commerce, trade and finance to be transparent, stable and consistent. On no occasion, it added, must there be a change of rules mid-stream, for policy inconsistency and unpredictability erode confidence in the Malaysian economy.

Gerakan also proposed that equity ownership be further liberalised and equity rules as prescribed under the New Economic Policy should be relaxed.

As for the monetary policy, the memorandum said interest rates should not be allowed to reach too high a level (presently cost of funds is as high as 20 percent), lest investments in key productive sectors such as food production, medium and low cost housing, human resources development, manufacturing for export and tourism are depressed.

It said one lesson that stands out from the current crisis is that the government cannot and should not rush into capital liberalisation without adequate institutional support and supervision.

Such liberal borrowing in overseas currencies quickly leads to high debt/equity and high debt/gross domestic product ratio, and hence exposure to greater risks of insolvency should currency depreciation, high interest costs and austerity suddenly strike.

Just as foreign banks are quick to extend loans during boom times for fear of losing out, Gerakan said they were quick to call back loans as well once they discovered that in the aggregate, lending to corporations in developing countries by foreign banks had reached levels beyond prudential limits.

On privatisation, Gerakan felt that the power to make decisions on whether or not to privatise, the mode of privatisation and regulation after privatisation, should be shared among several agencies and ministries, and not just be concentrated in the hands of the Economic Planning Unit alone.

-- BERNAMA

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