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Gerakan - memorandum

GERAKAN SUBMITS PROPOSALS FOR ECONOMIC RECOVERY

By: Siti Hawa Othman

KUALA LUMPUR, June 27 (Bernama) -- The Gerakan today submitted several proposals towards national economic recovery to the National Economic Action Council (NEAC) in a memorandum handed to Prime Minister Datuk Seri Dr Mahathir Mohamad.

Dr Mahathir, who opened the party's 27th National Delegates Conference here today, is also NEAC chairman.

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."

It also called for "the nexus between politics and business to be severed" and that "there should be no commercialisation of politics and 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 it raised was the award of privatisation contracts to politically-linked firms.

"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 said.

Another proposal was for the policy framework for the promotion of industry, commerce, trade and finance to be transparent, stable and consistent.

On no occasion, the party said, must there be a change of rules mid-stream, for policy inconsistency and unpredictability would 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 was as high as 20 per cent), lest investments in key productive sectors such as food production, medium- and low-cost housing, human resource development, manufacturing for export and tourism are depressed.

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

Such liberal borrowing in overseas currencies quickly led 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 struck suddenly.

Just as foreign banks were 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 said 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 concentrated in the hands of the Economic Planning Unit alone.

-- BERNAMA

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