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`Government cannot help if companies don't tell the truth'

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SPECIAL Functions Minister Tun Daim Zainuddin yesterday said some companies did not tell the truth when asked to give feedback on their problems which would help the Government draw up appropriate measures to stimulate the economy.

By hiding the truth, they make it difficult for the Government to work out schemes that would benefit the private sector as well as the country, he said.

Speaking at the Oxford and Cambridge Roundtable dialogue on "the National Economic Recovery Plan of Malaysia" in Kuala Lumpur, Daim said there was a crisis of confidence and the private sector had lost total confidence.

He said when the baht first came under pressure, Malaysians were confident enough to dismiss it thinking it would not affect the country.

"But then, when we look back, many companies didn't want to tell me the truth of the situation they are in. Really, most of them are in trouble; it's just that they don't want to admit it," he said in a candid and active dialogue with industry leaders and fund managers.

Daim, who is also executive director of the National Economic Action Council, said it was not the Government's intention to bail out companies but it could formulate policies to benefit them and the country.

Banks were also taken to task for not being "helpful" and for withdrawing credit lines, thus sparking off the crisis.

They were told to contribute by shaking off their over-cautiousness attitude towards lending which, if continued, will choke the economy to death.

"By all means be prudent, but do not deny credit to profitable ventures. It is good to remember that if all activity comes to a halt, the banks themselves will grind to a halt."

The real problem faced by the country today is one where the Government is strong but where the private sector is "completely in trouble", he said.

Nevertheless, he reiterated the Government's commitment to implement stimulus measures recommended under the National Economic Recovery Plan and other stabilisation measures necessary to ensure full economic recovery.

"Let me also assure you that I will be personally involved in monitoring the implementation of the recovery plan.

"Please have no fear on our sense of urgency. The Government is committed towards getting the economy back on track again."

Optimism was also expressed by Daim that Malaysia may see a slight economic recovery in 1999 from a negative growth currently to a positive growth of one per cent.

"This year is negative. Whatever we do is too late, the damage has been done to the economy.

"Hopefully, next year there will be a slight recovery, maybe one per cent."

Malaysians were also told not to expect an eight per cent Gross Domestic Product growth in the future, rather they should face reality and say the good old days will not return.

In his address, Daim said the NERP's overall objective was to get the macro-economy moving again through the adoption of counter-cyclical fiscal

policy.

Although the forecast GDP growth in 1998 was negative one to negative two per cent, the slide could be deeper if Malaysia failed to get its package of measures implemented.

Furthermore, international developments which were out of the country's control could cause Malaysia to be sucked deeper into the regional crisis, he warned.

Describing the 1980s recession as "nothing" compared to the current one, Daim expressed fear the economic flu will affect the world's economies if the global community was not careful about containing it.

"When I saw the Americans this week, I told them: 'Don't be over-confident, don't just smile at us, we are in this together'.

"I told them my fear that when there is so huge an inflation in Asia, it will affect the whole world ... it is just a matter of time," he said.

Malaysia on its part will adopt an easier monetary policy and fiscal expansion strategy to avert any possibility of a depression.

"We at this stage should be more concerned about deflation rather than inflation since a deflationary situation will put further pressure on our banking system and erode the efforts taken so far to strengthen the economy."

The Government will also find the needed resources to inject RM7.03 billion into the economy, and will not hesitate to borrow from abroad to complement domestic resources.

The additional allocation will be used to increase demand for goods and services and implement projects to increase Malaysia's competitiveness while instituting a social safety net for vulnerable groups in its society.

Asked what "shocking measures" were referred to by Prime Minister Datuk Seri Dr Mahathir Mohamad, Daim said they include the Government's decision to borrow money from abroad, and the large contraction in GDP.

He said Dr Mahathir had interpreted them as shocking so as to get the message across especially to those in rural areas so they understand how serious the economic problem is.

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