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Mustapa criticises foreign media reports on Malaysia

REFUTING claims by a London-based investment firm, Second Finance Minister Datuk Mustapa Mohamed said Malaysia was far from going into bankruptcy as the Government's financial position remained firm.

"Malaysia will not go bankrupt, this is only propaganda created by people who are jealous of Malaysia," Mustapa said when asked to comment on two articles suggesting that the country's economy was deeply troubled.

The article was written by David Roche of London-based investment firm Independent Strategy, in his articles which appeared in the International Herald Tribune and Time magazine recently.

The article in International Herald Tribune titled "Mahathir's Economic Policies Could Bring His Downfall" appeared in its Dec 15 issue, while the Dec 21 issue of Time carried his comment under a headline "Moving in the Wrong Direction".

Speaking to reporters in Jeli, Kelantan, on Tuesday night, Mustapa said certain quarters including the foreign media could not acccept the fact that Malaysia could handle its economic matters on its own.

"They have already made their conclusion before finding the argument to back up their claims.

"These are irresponsible people and they are the ones who will affect the prospect of the country's economic growth," Mustapa said.

The Institute of Strategic and International Studies director Dr Zainal Aznam Yusof said Roche had painted a dismal economic story on Malaysia.

"My conclusion is that the writer is not careful in his facts. He tends to paint a black picture about Malaysia and does not want to balance the whole thing," he said.

Speaking in a telephone interview, Zainal stressed that Roche had failed to mention the (positive) measures implemented by the Government to revive the economy such as the introduction of selective foreign exchange rate controls and establishment of Pengurusan Danaharta Nasional Bhd and Danamodal Nasional Bhd to handle non-performing loans and recapitalise the banking sector.

"It's true that our living standards has been eroded by the economic problems, but our social structure is still intact and remains robust."

Zainal pointed out the writer had also made several mistakes in his "evaluation of Malaysia".

"Some of the facts are totally wrong. For example, with regards to the point that our current account was in deficit. Actually, we were expected to have a surplus account this year and next year.

"According to Bank Negara's forecast, the country will have a surplus account estimated at about RM20 billion this year. In 1999, it was estimated to be a surplus of RM11 billion.

"We have already exceeded the trade surplus forecast for the whole 1998 in the third quarter (with a trade surplus of RM38.7 billion)," he said, noting in the first half, the country had registered current account surplus of RM15 billion.

Zainal said another factual mistake made by Roche was the level of the local banking sector's non-performing loans, which he claimed to be at around 40 per cent of the total loans.

"Roche's point that our NPLs level was at 40 per cent and that it required us RM56 billion to recapitalise the sector was way off mark.

"This is because our net NPLs based on the six-month classification was about 8.9 per cent of the total loans in June, and this was slightly reduced to 8.1 per cent as at end-September, which is about one third off his estimates," he said.

He noted that if the NPL level was based on the three-month classification, our NPL rate would be slightly higher than the end-September figure.

Presenting his case on Roche's articles even further, Zainal yesterday wrote an article which was sent to International Herald Tribune by the National Economic Action Council.

Copies of the article were distributed to the Press.

He said: "The gist of his piece warns that Malaysia's `... policy of capital controls ... is nothing short of disaster'. In short, `Malaysian living standards will plummet' leading to `social upheaval that will force Mr. Mahathir to go ..."

Zainal said essentially, the article was an argument against Malaysia's own approach in overcoming the financial crisis.

"Unfortunately, Roche's sweeping, simple-minded story with the unhappy ending will not hold as it is unreasonable, weighed by excessive pessimism, factually wrong and inaccurate."

With regards to Roche's estimates that Malaysia needed RM98 billion worth of funds for economic recovery and that the country was resorting to "printing money", Zainal said, "... again, is too excessive".

He pointed out that official estimates show an amount of about RM68 billion and that there were sufficient external and internal sources to fund this recovery bill.

"The recent Japanese funding assistance to Malaysia and the expected allocation from the Miyazawa Plan will meet much of Malaysia's needs. Printing money is not an option at all."

Zainal said in an effort to paint the grimmest picture possible, Roche had failed to report on the details and progress of restructuring and reforming the banking system through Danaharta, Danamodal and the Corporate Debt Restructuring Committee and other detailed measures contained in the National Economic Recovery Plan.

"They are making headway, and the breathing space providing by the exchange rate controls is breathing some life into the economy.

"Even so some fine tuning of the controls is expected and that would boost investor confidence... All in all, Roche's prognosis of a Malaysian disaster is premature," Zainal said.

(END)