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Time for tough decisions, not hysterics

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THE introduction of foreign exchange controls by the Government has put us firmly in the international spotlight. It also brings along with it the threat that Malaysia will be isolated by foreign investors.

Various comments have been directed at the Government or to be more precise Prime Minister Datuk Seri Dr Mahathir Mohamad - the most damning that I read is that we are not suffering a financial crisis, rather an IQ crisis.

I think it is time for hysteria to take a back seat and for us to examine the direction that the Prime Minister has decreed that we will follow.

I have long been an advocate of the efficient market theory, that the market operating free of encumbrances is a sound barometer of the country's economy and future growth.

However, that theory only holds as long as a small number of parties who may have their own agenda do not have the ability or the arena to influence the market. Quite clearly, with the globalisation that has been taking place (especially since the Eastern European and other communist regimes were disbanded), an elite group of individuals - speculative fund managers - have taken over the economies of the world.

Despite all the diatribe that has emanated from this group recently, their interests do not lie with the country that they purport to support. Their loyalties are with their paymasters - large corporate institutions, pensions plans and tycoons.

The sheer volume of funds under their control is such that they have the power and ability to significantly affect the dynamics of individual economies.

When a country has to deal with such groups it has two options - play by their rules and hope that they are placated enough to support you, or control one's own destiny. Malaysia has chosen the second.

It is less popular only to speculative fund managers because it returns management of the economy to its rightful community - the country's Government.

When times are tough, tough decisions need to be made. The countries that survive the economic carnage are the ones willing to make tough decisions - with or without the support of the rest of the world.

Such a course of action requires an abundance of bravery and also the political will to make it work. I believe it can work as long as corporate managers, the financial community and the business world at large take this opportunity to not just fix the plumbing but reinforce the foundations.

We have to ensure that this is not just an opportunity to be bailed out but a chance to put our house in order. There are a large number of houses that need to be fixed. The large inflow of funds by the speculators in the early 1990s disguised a lot of the problems that were slowly allowed to develop.

Malaysia's decision not to follow the International Monetary Fund model for recovery is directionally logical. High interest rates is too much a price to pay to attract speculative investors. It suffocates the economy, creating widespread difficulties for resident corporations but profits for offshore investors who sit in their ivory towers in fancy offices in Wall Street.

I once came across a saying that went something like this - "Give a man a fish and he will be fed for one meal. Teach him how to fish, and he will be fed forever".

We are now learning how to fish. Let us hope that we learn fast.