29/06/1998

Time to start afresh and act in concert to revive economy

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THE initial reaction of market observers to the return of Tun Daim Zainuddin to the Cabinet last week as Minister of Special Functions in the Prime Minister's Department responsible for economic development was to point to the further weakening of the ringgit and the stock market.

They saw this as an indication of the market's unfavourable reception to Daim's return and a fear over the policies he is likely to recommend to the Government.

What these observers have neglected to point out is the fact that the regional currency and stock markets, as a whole, had been on the slide again after a brief rally following the intervention of the US Federal Reserve and the Bank of Japan in support of the yen under two weeks ago.

They may also not be aware of the fact that immediately after being sworn in last Friday morning, Daim and Finance Minister Datuk Seri Anwar Ibrahim, who is also Deputy Prime Minister, immediately huddled together for extensive consultations.

Whatever policy changes Daim is likely to recommend to the Government will have to take into account the views of the ministries, departments and agencies responsible for the economy.

This is not something new to Daim. Having been Finance Minister for nearly seven years, part of which coincided with the mid-1980s recession, he has enough experience to back him up in the new job.

Also, since his appointment as executive director of the National Economic Action Council in December last year, he has held consultations with over 200 individuals and organisations, and presented a series of proposals to the Cabinet.

Unfortunately, much of the council's work has been bogged down by bureaucratic red tape and the apparent lack of urgency among certain ministers and ministries in studying and implementing the proposals.

Prime Minister Datuk Seri Dr Mahathir Mohamad's decision to bring Daim back to the Cabinet is seen as reflecting his own impatience with the way some ministers and their bureaucrats have been treating the council's recommendations.

Since the council is only an advisory body, its recommendations have to be tabled to the Cabinet and can be implemented only if they are accepted by the ministers.

With his presence in the Cabinet, Daim should be able to push for speedier deliberations and, when agreed upon, faster implementation of these recommendations.

Dr Mahathir last Thursday remarked that Daim was made a minister to enable him to deal directly and effectively with his conterparts in other countries.

He said that as a non-Cabinet member, Daim was not always able to deal with ministers of other countries because they do not accept his position as Economic Adviser to the Government. So he ended up dealing only with officials.

What Dr Mahathir did not say, perhaps deliberately, is that Daim will also be more effective in dealing with the Cabinet now that he is a member.

High on Daim's list of things to do should be the revival of confidence in the economy not only among investors but also consumers. The drastic fall in consumer demand is exacerbating the deflation of the economy.

Driven to the brink by the credit squeeze and high interest rates since November last year, many businessmen, especially small and medium scale Bumiputera entrepreneurs, have lost confidence in themselves and the system that once supported them.

A recent Bank Negara statement that many of the special funds created to help businesses have not been fully utilised could be an indication of this state of mind.

Consumers are beginning to withdraw to the sideline due to fears of unemployment. Purchasing power has also declined as workers are retrenched, salaries cut and working hours reduced.

While such policies as strengthening the ringgit, moderating loan growth and avoiding further capital flight are laudable, there are other considerations that have to be attended to in order to stop the economy from deflating further.

With the International Monetary Fund-type (IMF) prescriptions proving to be ineffective in some countries and fatal to others, we should disengage our policies from the IMF model.

Our economic revival package should be one which is friendly to businesses and mindful of consumers.

We have to admit that we have lost valuable time in disagreeing and shifting blame. Perhaps this is the best time to start afresh by speaking in one voice and acting in concert to revive the economy.

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