

12/10/1998

Unfashionable to be positive on Malaysia these days

Hardev Kaur

MANY still think that there is a haze in Malaysia and that the air quality is unhealthy. Viewers of CNN and CNBC think there are are continued demonstrations in the Capital City. Their vision and view of Malaysia and its developments are clouded by factually incorrect reports as well as the prejudices and slants of reports and broadcasts.

Even on the economic front, any progress and positive development is viewed through jaundiced eyes. It is not the 'in-thing' to say nice and positive things about Malaysia these days. The more absurd the report, the better it is, seems to be the order of the day. Remote provincial papers in the US, for example, are beginning to comment on Malaysia even though their citizens may not know the capital of their own neighbouring state.

Credit Suisse First Boston (CSFB) is a rare exception with regards to its report on Malaysia. One of its analysts in his report on Malaysia entitled "Malaysia: Last In (to Recession), First Out" admits that "It is fashionable to be unalterably sceptical about Malaysia". P.K. Basu points out that his report is "a distinctly unfashionable report" and argues "that beyond the fog of opaque micro-management lies an economy (and corporate sector) that is largely intact".

The country's economic fundamentals remain sound. Malaysia's external debt service ratio is low, its level of non performing loans (NPLs) is lower compared to its neighbours and positive efforts are being made to recapitalise the banks. In addition, on the liabilities side of banks' balance sheets, the most notable feature, according to CSFB, is the lack of reliance on foreign liabilities which was the "Achilles Heel of Thailand's banking system, played a role in felling Indonesia's, and remains a thorn in the side of the Philippine banking system".

Basu added that "in the banking sector, Malaysia is less severely affected than most of its neighbours. Net foreign liabilities were an insignificant source of loanable funds (contributing less than 5 per cent at their recent peak, compared with levels of 10-30 per cent for Singapore, Indonesia, Hong Kong, Thailand and the Philippines).

The country also entered the crisis with a lower NPLs rate of 8.5 per cent, according to the report, (Bank Negara's figure of NPLs is less than 10 per cent), higher reserve requirements of 8 per cent and significantly lower loan-deposit ratios than other countries at a similar stage of economic crisis.

The report notes that unlike other countries, Malaysia will not be squeezing the domestic economy now at the International Monetary Fund's (IMF) behest (and so exacerbating enterprise debt servicing difficulties), but instead easing policy across the board. With lower interest rates, businesses and entrepreneurs are beginning to get on with their jobs and wheels of business are beginning to turn.

CSFB says Malaysia will be "First out" of the recession - a point also made by Prime Minister Datuk Seri Dr Mahathir Mohamad last week. The firm adds that "While the other three crisis countries will still be engaged in extracting their corporations from deep-seated bankruptcy problems in 1999, Malaysia can use a combination of 'flow' (growth, better liquidity) and 'stock' (Danamodal and Danaharta) solutions for its banking woes".

There are some, including Special Functions Minister Tun Daim Zainuddin, who have forecast a positive gross domestic product (GDP) growth for the country next year. CSFB is even more optimistic than Daim and forecasts a

3.1 per cent GDP growth next year. Thus Malaysian planners are not the only ones upbeat about the country.

Confidence in the country has improved following the implementation of a number of measures proposed by the National Economic Recovery Plan. Standard and Poor's (S&P), the US based rating agency, which together with other rating agencies have downgraded Malaysia's sovereign rating down several notches was also positive about the country last week.

S&P described the moves by Danamodal to recapitalise 10 institutions as "a good step in the rehabilitation of Malaysia's financial sector". Efforts by the authorities to clean up the sector is seen as positive as Malaysia's level of NPLs is still in its early stages.

Foreign direct investment is still on the uptrend. The confidence in the country's economy and its future was stressed by Managing Director of British Telecoms, Richard Slogrove, when he said "BT's commitment to Malaysia has not wavered" adding "we are here to stay". There are many others who are here to stay contrary to what sceptics would like to believe.

As Credit Suisse First Boston put it, Malaysia's macro economic fundamentals and its economic sector is "largely intact". The insulation of the domestic economy and the pegging of the Ringgit at 3.80 to the US dollar has provided stability and predictability for businesses. The controls are not as "draconian" as they have been made out to be by their critics.

According to a report in the Singapore Business Times, multinationals and Singaporean firms with operations in Malaysia have been little affected by the currency controls. The companies are also not concerned about the repatriation of profits and dividends as they have been assured that the controls - which are designed to stamp out short term destabilising funds and to prevent speculation on the ringgit - will not interfere with direct investment and trade.

"Malaysia is still a very attractive place for foreign investment," Wong Ngit Lon, Managing director of Singapore-listed Venture Manufacturing was reported as saying.

There is no haze, the air quality in Malaysia is very good and perhaps even better than in many cities in developed countries, there are no street demonstrations even though many would like that (as it makes for good visuals on television) and Malaysians and visitors continue with their lives and businesses as usual.

It may be "unfashionable" to be positive about Malaysia but it is important and essential, in the name of accurate reporting, fair play and justice, that the situation in Malaysia and its developments are viewed clearly and not through old scratched glasses with blinkers on them.

(END)