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Way to go, Malaysia

TO read the engagement of leading American investment bank Salomon Smith Barney Holdings Inc's advisory services in raising foreign funds as an unholy nexus or worse, as a sign that the Government is at wits end in improving our liquidity position would be a profound misreading of reality.

This heavyweight's appointment as financial adviser is one of many measures born out of the Government's determined focus to revive the economy. As Prime Minister Datuk Seri Dr Mahathir Mohamad says, we are not anti-foreign to the point we decline external help. What we are vehemently against is the deplorable use of external financial aid to erode the sovereignty of a crisis-stricken country by imposing conditions that bear no relation to the economic problem. And anything that demands us to relegate national interest to the background is not considered as help at all.

The boom-to-bust phenomenon of the region's financial crisis had caused a depressing erosion of wealth which, inevitably, led to the loss of the very element that our industry needs to build on the future - capital. As we have seen earlier, the credit crunch including the persistent unwillingness to lend and the high cost of money (due to high interest rates) was like a giant vacuum cleaner which sucked out the liquidity and lifeblood of the economy.

We need capital to reverse the trend of gloom which, and dangerously so, can be a self-fulfilling prophecy and arrest further economic downslide and put Malaysia on the fast track. The injection of capital, be it into mega projects earmarked for completion or the productive sectors will turn the tide and lift the spirits of the nation. Deploying the advisory services of an international investment bank is crucial if we wish to tap into the international capital markets successfully. It has been said that how effective a bank is in its fund-raising programme for clients depends on how much weight and credibility it carries in the world market and in this respect, we find no fault in the Government's choice of Salomon Smith Barney.

Equally important is the heavyweight's advisory role to Danamodal Nasional Bhd in restructuring and recapitalising the banking sector. As its co-chairman and co-chief executive officer Deryck Maughan observes in its review on Malaysia, "... the Government understands the significance of a strong domestic financial system and is ready to take the necessary steps to promote the stability of a domestic banking system".

The bank's independent observation and its vote of confidence in our recovery measures should not be discounted. In July, credit rating agencies like Moody's Investors Service and Standard & Poor's downgraded our Government's bonds over perceived concerns such as deteriorating assets quality of the banking sector, inability to clear excesses in the system and the Government's commitment to reform the sector. Such concerns should no longer arise.

Salomon Smith Barney's involvement in the issue and marketing of bonds or other fund-raising programmes and in the restructuring of the banking system are conclusive evidence of the Government's commitment to reform the sector. It proves we do not insulate ourselves from the world market. More inspiring is that in putting together a solution, as per the measures unveiled by the National Economic Action Council, the Government has acted

firmly and decisively without loss of time. We are not paralysed by fear or paranoia.

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