

30/08/1998

Who will save Malaysia? The Government and the people

Lyn Chai

THE front cover (Asiaweek, Aug 28) depicts a single lifebuoy stamped with the Malaysian flag floating helplessly in a stormy sea.

It is true, Malaysia is facing its most serious challenge in decades. Like our neighbours, what started as financial turmoil in the regional currency markets has now transformed into undisputed economic recession. Statistics and data tend to dehumanise the very real social cost that is borne by the population.

Businessweek (Aug 17) focused on "Asia's Social Backlash" reporting on soaring joblessness in Japan, growing bitterness in South Korea and political opposition rallying in Thailand.

It counted 90 South Korean companies going under everyday and an average of 25 people committing suicide per day in the first quarter of this year - a 36 per cent jump from a year earlier.

The current crisis has spared few in the region and Malaysia is all too aware that our social as well as economic well-being is under threat.

Yet, Malaysia has been the only country to come forward with its own national blueprint to chart the economy out of the prevailing quagmire.

In January this year, a specific agency was established to study and recommend solutions to tackle the economic problems - the National Economic Action Council.

In June this year, a Minister of Special Functions - with a proven track record of success in overcoming the last recession in 1986 and engineering a decade of phenomenal economic growth of eight per cent per annum - was appointed specifically to concentrate on strategies towards economic revival.

In July this year, the National Economic Recovery Plan (NERP) was unveiled, highlighting six key objectives, 44 lines of action and over 500 recommendations.

A plan that was commended as being frank, comprehensive, integrated and realistic, that acknowledged weaknesses in the system and proposed specific and decisive recommendations in response.

How is it then that Malaysia is attacked for "unwillingness to face the fact that times have changed", that "there is no indication that Prime Minister Datuk Seri Dr Mahathir Mohamad sees anything particular that needs fixing" or that "he is more focused on the politics of staying in power ... than identifying solutions for fixing the economy?"

The publication of the 216-page NERP itself makes such statements impossible to justify.

Is it because Malaysia has not obediently and blindly swallowed standard prescriptions doled out by the IMF? Articles and opinions that support, for example, Malaysia's lowering of interest rates, abandonment of IMF decrees and criticism of speculators is growing in academic, political and business circles worldwide.

Nobel prize-winning economist Milton Friedman states: "In my opinion, the IMF is largely responsible for the Asian crisis."

Cambridge University Professor of Economics Peter Nolan in an interview in Kuala Lumpur recently was adamant that countries should be in full control of national economic policy and not allow institutions such as the IMF to dictate terms from afar.

He said it is the responsibility of each government to produce its own economic goals and policy, bearing in mind the unique conditions of the

country in question.

He added that "IMF's track record is imperfect at best, and proven to be unmitigated disasters in some cases".

China, for example, formulated its own path and pace to success without the tumultuous social upheaval and economic disintegration now facing IMF-led Russia.

Malaysia continues to be criticised by certain foreign media for not facing decisively and being entrenched in the past.

YET when pro-active measures are introduced by the Government, they are either ignored or flatly dismissed as being "wrong." Asiaweek calls for "new approaches and solutions ... things like more transparency among banks and competitive bidding for government contracts."

These are just two recommendations out of 500 that have already been outlined in the NERP.

Asiaweek describes that "inventory liquidation may be the most lucrative business" in Kuala Lumpur.

It is precisely because healthy companies are suffering from the credit squeeze that the Statutory Reserve Requirement and interest rates have been reduced, and the Asset Management Company (Danaharta) and the Special Purpose Vehicle (Danamodal) have been established.

Flushing out weak and inefficient companies is a necessary and painful process that Malaysia is prepared to undertake but not at the expense of the country's financial and industrial backbone on which we depend on future growth.

Asiaweek calls this move to loosen monetary policy contrary to "conventional wisdom" i.e. the IMF whose flaws and failures we have already ascertained.

But it is "conventional" methods and lack of new thinking that Asiaweek had previously accused the Government of.

Morgan Stanley observes that deflation, not inflation, as reflected in the July consumer price index, justifies the latest cut in Bank Negara's intervention rate and that "easier monetary policy and aggressive fiscal expansion are the only ways for Malaysia to avert a depression-style GDP contraction".

CIMB Securities' econometric research also shows that ringgit changes are more influenced by regional currency movements than interest rate differentials.

It is curious how one can conclude that "Malaysia is now the most problematic in the region perhaps outside Indonesia" when we compare indicators of unemployment, inflation, foreign debt borrowings and the absence of political instability, devastating riots, food shortages, protests and strikes that have ravaged other Asian nations.

"Our Nation, Our Responsibility". This is the motto for this year's National Day and reflects the spirit and determination Malaysians must adopt.

No one should be exempt from what Asiaweek calls the "rescue business" as each individual Malaysian must contribute towards the country's recovery.

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim is "not out of the rescue business" as Asiaweek contends.

Weekly Cabinet meetings aside, the Prime Minister, Deputy Prime Minister and Special Functions Minister meet everyday to find new and better solutions in tackling the dynamics of the on-going crisis.

We should question why, as Asiaweek reported, "You can't expect the architects of the old Malaysia to re-engineer and rebuild a new Malaysia". First of all, we should make it abundantly clear that the aim is not to build a "new Malaysia".

It is the present Malaysia that the Government is strengthening by addressing specific shortcomings that have been recognised, promoting better management and corporate governance that will ultimately bring the benefits of sustained economic growth.

Our Prime Minister was once heralded by the foreign press as a "visionary". Surely, we need visionary capabilities in this time of crises. Asiaweek asks:

"Who can save Malaysia?" "In normal times," Asiaweek looks towards our Prime Minister, but what exactly constitutes "normal times"? The recession of 1986? Is 10 years of eight per cent growth "normal", as if this did not require effort, vision and leadership?

As has repeatedly been urged, it is evident that we, Malaysians, hold the best chance of "saving ourselves" from this crisis.

There is no ulterior motive or hidden agenda but our own national interest which is synonymous with our individual social and economic well-being.

We cannot allow ourselves to be swayed by negativity and pessimism. If others wish to see us as drifting in an expanse of sea, are we to drown to satisfy them? Malaysia was not built by defeatists. We will swim to shore.

(END)