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MALAYSIA-ECONOMY (News Focus)

INCREASING ABOUT-TURNS BY CRITICS OF M'SIAN ECONOMY

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KUALA LUMPUR, Sept 10 (Bernama) -- Now that Malaysia has shown signs of economic recovery -- despite or because of the unorthodox measures that it has taken -- more and more of its staunchest critics are making an about-turn in their assessment of the country.

They now say that Malaysia took the right prescription to cure its economic ills after the onslaught of the Asian financial crisis.

Detractors, who at one time spoke ill of the country, especially when it imposed selective capital controls, have now even praised the measures for their efficacy.

Their favourable views have been aided by several factors. They include the fact that the Malaysian economy did not go into a tailspin nor did the label of "pariah", in terms of international finance and trade, stay for long when the controls worked well to nurse the country back to even keel.

A black market did not develop from the peg of RM3.80 to one US dollar nor did foreign direct investors run helter-skelter from the country.

Malaysia even confounded the most pessimistic commentators and analysts when foreign portfolio investors returned in droves to the Kuala Lumpur Stock Exchange (KLSE) recently.

Most heart-warming has been the commendation by the International Monetary Fund (IMF), which at one time tried to impose its will on Malaysia, that the measures, although unorthodox, had worked.

The IMF even said the controls, implemented in a pragmatic and flexible way, had enabled Malaysia to have "breathing space" during the crisis.

The Malaysian economy, in bearing the full brunt of the crisis last year, slumped to a 7.5 percent contraction. Now the government has forecast a conservative 1.0 percent growth for this year.

But some of the more exuberant and optimistic foreign analysts have even predicted a lip-smacking growth rate of 6.0 percent for this year.

Besides the IMF, support for Malaysia's economic policies from other quarters is also on the rise. For instance, the Wall Street Journal (WSJ), a leading business publication, even reported that if the Barisan Nasional led by Prime Minister Datuk Seri Dr Mahathir Mohamad won the next general election with a two-thirds majority, the KLSE would rebound immediately.

This is certainly a far cry from the lowest ebb of the recession and financial crisis when Dr Mahathir was portrayed by foreigners as someone they loved to hate.

But the rousing endorsement by the likes of the WSJ of Dr Mahathir reflects a general change of heart by many of Malaysia's one-time doom and gloom skeptics.

The WSJ even wrote, "If foreign investors could vote in Malaysia's looming election, their choice might well be their recent nemesis: Prime Minister Mahathir Mohamad."

Now that there is no financial haemorrhaging after the lifting of the one-year moratorium on repatriation of portfolio profits and investments on Sept 1, an increasing number of foreigners are giving the thumbs up to Malaysia.

Says the Singapore Straits Times in a recent editorial: "The international community should give him credit for having pulled off his coup, yes, but it should also institute reforms to remove the need for similar future coups. Dr Mahathir is just a 'heretic'; two, three or more could mean trouble."

But Dr Mahathir insisted yesterday that it would not be easy to emulate Malaysia because the country has internal strengths with strong foreign exchange reserves and a robust trade surplus.

The Straits Times also said "When the next crisis strikes, other countries may be tempted to follow his lead. Dr Mahathir's seeming success adds to the argument that the international financial system needs to be reformed."

This reinforces the legitimacy of Dr Mahathir's argument that there must be rules to rein in currency speculators which wreaked havoc on certain Asian currencies and economies about two years ago and, as recent as a week ago, on again the Thai baht.

But the major powers have either been passing the buck or dragging their feet over the issue.

That aside, Malaysia's corporate and banking sectors have made great strides in terms of earnings, thus contributing to the country's overall well-being. Malayan Banking Bhd, the country's number one bank, and Sime Darby Bhd, the nation's leading conglomerate, recently reported profits of more than RM1 billion each.

They serve to demonstrate the financial and corporate restructuring undertaken by the country have borne fruit and expectations are that an increasing number of companies will report better incomes this year.

In light of these developments, Fitch IBCA, an international rating agency, has placed Malaysia on a possible rating upgrade on its present long and short term foreign currency ratings at BBB- and F3 respectively while Morgan Stanley Capital International (MSCI) Indices will reinstate the country into its widely-followed indices list from February. -- BERNAMA

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