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Jomo defends views published in latest issue of Harakah

Zuraimi Abdullah

ACADEMICIAN Jomo K.S yesterday defended his views published in the latest edition of Pas-owned Harakah, saying that media reaction to his "alleged remarks" simply proved that "the media is increasingly oriented towards the prospect of imminent election".

In a statement faxed to the Press yesterday, Jomo said that it was "almost impossible to honestly claim" that the country's economic recovery was due to the Government's stimulus measures introduced since last September.

Jomo was quoted in Harakah - a bi-weekly in-house newspaper published by Pas - as saying that the current stock market rally could be due to the buying of blue chip shares by Government-linked funds such as the Employees Provident Fund, Tabung Haji and Petronas, to give the impression that the country's economy is recovering.

Jomo also linked the stock market's rise to possible window-dressing as the Government may call for the general election sometime this year.

Following the article, economists and fund managers disputed Jomo's claims, pointing out that the recent uptrend on the Kuala Lumpur Stock Exchange was due to a combination of ample liquidity, low interest rates, economic fundamentals, as well as the presence of foreign fund managers.

Other factors fuelling the rise include speculation and favourable investor sentiments, as well as foreign funds trickling in on expectations of Asian markets' recovery.

Adding that he is not a Pas member, Jomo reiterated the key points he made which formed the basis of the article in Harakah.

While claiming that he had not seen the article in Harakah, Jomo added: "While Prime Minister (Datuk Seri Dr) Mahathir (Mohamad) undoubtedly had important differences with his former Deputy and Finance Minister (Datuk Seri) Anwar Ibrahim over economic matters, the question of capital controls was not an issue - contrary to current mythology.

"Not only did Anwar not clearly oppose the early September 1998 issues per se, he was Finance Minister from 1991, most significantly in 1994, when temporary capital controls were introduced in response to sudden early 1994 reversal of the earlier inflow surge in 1993."

"Contrary to the expectations of its advocates, bank lending and money supply growth actually declined right after the imposition of the controls despite the new central bank governor's threat to fire bank managers who failed to meet the eight per cent lending growth target for 1998."

While saying that the "worst" seemed to be over for Malaysia, he said that it was "almost impossible to honestly claim" the country's recovery had been either due to or despite the various stimulus measures introduced by the Government since last September.

Jomo said the more impressive KLSE's recovery, among others, was due to "the greater depth of its fall, political support from the middle and propertied class, and an announcement of a domestic-led economic recovery strategy".

He also said that there was considerable evidence from all over the world including past Malaysian experience that incumbent governments spend more before polls to gain electoral support.

"(First Finance Minister) Tun Daim Zainuddin's recent reminders to his fellow ministers clearly testify to this."

The stock market behaviour was only tenuously linked to economic

performance, he added.

Jomo questioned how the country's stock market collapsed in 1997 while the economy continued to grow by almost eight per cent.

"There is also a history of Government efforts to bolster the stock market, which many blame for the EPF's loss of over RM10 billion last year," he said.

He claimed that the National Economic Action Council's efforts to revise the (selective foreign exchange) measures had begun to reverse foreign investor sentiment.

"Foreigners and Malaysians were buying partly in anticipation of a fillip from imminent re-listing of the local bourse," he said.

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