

15/03/1999

Malaysians must be positive and bullish now

Hardev Kaur

MALAYSIANS, it appears are their worst enemies. While foreigners are beginning to be bullish and positive on the country's prospects, some locals continue to doubt and fail to see the positive signals or even appreciate the efforts being made.

They continue to cast doubts on the home grown measures and fail to recognise the fact that Malaysia is perhaps the only country that has taken the bull by the horns and even set up a special committee - the National Economic Action Council (NEAC) - to specifically tackle the crisis. The National Economic Action Plan and its progress to date is totally ignored by the critics.

Some continue to echo and sound very much like the International Monetary Fund (IMF) and Washington spokesmen calling for all manner of changes and amendments. They fail to recognise the fact that Malaysia is in the forefront compared with many of its neighbours, including Thailand, in bankruptcy and foreclosure laws, among others.

Malaysia has made much progress since the crisis first began taking its toll on countries in the region. Some would argue that Malaysia has made much more progress than its neighbours and those under the IMF's care. Even Stanley Fisher, the IMF's Deputy Managing Director, has acknowledged Malaysia's progress. In a rare positive statement on Malaysia from the Fund since the crisis, Fisher told the Thai academics at a round table discussion that: "The critical first stage of reform process in the region has been achieved. The same applied to Malaysia".

John Bond, Group Chairman of HSBC Holdings Plc, who was in Malaysia recently expressed optimism about the economy. In a interview he said: "... the economy is about human beings. I still find lots of bustle and traffic jams. It does not have the feel of a place that is going through a difficult recession ... I think the outlook for 1999 would be that the economy may show positive growth and I think that would be an excellent performance against the backdrop of the world economy that unquestionably is going to have a much slower 1999 than 1998."

Increasingly, fund managers, analysts and a number of investment houses are revising and upgrading their economic growth estimates and prospects for the country.

Dresdner Kleinwort Benson, Goldman Sachs, Merrill Lynch, Salomon Smith Barney and other brokerages are among those that have adopted a more positive stance with regards to Malaysia's prospects in recent weeks. Dresdner Kleinwort Benson, for example, revised the gross domestic product (GDP) growth for 1999 to 2 per cent higher than 1998 rather than 1.5 per cent lower which was its earlier forecast.

Kevin Barnes, an analyst with the Institute of International Finance, projects Malaysia's growth to recover to about 3 per cent this year. This is higher than the official Government forecast of 1 per cent.

In view of the more positive outlook for the economy, the International Finance Corporation (IFC), the private investment arm of the World Bank, has reinstated Malaysia into its IFC Investment Composite Index and IFC Investible Asia Index. This is an early sign that Malaysia's stocks will soon be included in the widely followed Morgan Stanley Capital International index (MSCI).

Malaysia is no longer viewed with as much disdain as it was when the exchange rate controls were first introduced in September 1998. Many are

now watching and indeed acknowledging the positive signs of growth and recovery in the economy.

P.K. Basu of Credit Suisse First Boston in Singapore told a seminar on the "Asian Crisis: Roads to Recovery", that Malaysia is out of the woods and added that there were already signs of a recovery. He expected foreign funds to flow back into Malaysia "very soon".

The positive sentiments are clearly evident. The disbursement of loans has picked up as have the number of approvals for development projects. Dr Sulaiman Mahbob, Head of the NEAC Secretariat, disclosed that the weekly average disbursements of banks loans had risen to RM6.55 billion in February from RM4.98 billion in June 1998.

Investment projects approved by the Malaysian Industrial Development Authority (Mida) increased by 2.3 per cent to 844 projects valued at RM26.4 billion in 1998 from 759 projects valued at RM25.8 billion a year earlier.

During the same period, foreign direct investment approvals rose by 14 per cent to RM13.1 billion from RM11.4 billion in 1997.

Since the adoption of the exchange rate and capital controls, foreign reserves have risen from US\$20.5 billion (US\$1 = RM3.80) in June 1998 to US\$28.45 billion as at mid February 1999. These reserves can finance six months of retained imports.

Malaysia has also made a great deal of progress in its banking sector. The recapitalisation of banks is expected to be completed by the end of June this year, six months ahead of the original target.

In comparison, the progress in Thailand and even South Korea has been much slower. In fact, the banking sector in Thailand has been completely dented. According to Basu, "the baby has been thrown out with the bath water". Thailand's banking sector may have to be developed again from scratch. The Thai displeasure with the IMF's remedies has been evident from the round table discussions that Fisher had with Thai academics and businessmen recently.

Over the weekend, demonstrators in Bangkok held up banners with "I love Mahathir" written in Thai in support of Prime Minister Datuk Seri Dr Mahathir Mohamad's stand against the IMF.

Malaysia's bankruptcy and disclosure laws are also in place and functioning. These were drawn up and in force long before the currency crisis reared its ugly head. These laws have also not been imposed on the country by an outside party.

In Thailand, the bankruptcy and foreclosure laws - one of 11, that need to be passed in compliance with IMF for its funds - are still fighting their way through Parliament. The protestors in Bangkok over the weekend claimed that the Bankruptcy Laws were a "sell out of Thailand to foreigners".

Stability and predictability has also been ensured in the country following the pegging of the ringgit at RM3.80 to US\$1. Lower interest rates and the increased availability of credit has also breathed life into businesses which were previously being strangled as a result of the credit crunch and higher interest rates.

With these and many other positive micro economic indicators, it is about time that Malaysians themselves started being positive about their own country. While they should not be arrogant, they should at least offer credit where it is due.

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