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NEAC-CNBC

NEAC ADMONISHES STRATEGIST FOR WRONG PROGNOSIS

KUALA LUMPUR, June 16 (Bernama) -- The National Economic Action Council (NEAC) has admonished regional independent strategist David Roche for his derisive commentary on Malaysia's economic policy which it said was obviously plagued by his known personal enmity of Prime Minister Datuk Seri Dr Mahathir Mohamad.

"Roche's derogatory views on the Malaysian leadership and its handling of the economic crisis have been tediously repeated," the council said in a strongly-worded letter faxed to Martin Soong of CNBC Asia yesterday.

Expressing regret that CNBC decided to sensationalise the Prime Minister's interview by airing Roche's comments immediately after the interview, it said that "given his persistent denigration of the Prime Minister, one wonders if Mr Roche harbours a deeper political grievance."

Although his bias has been challenged in the past, the best refute is in the current performance of the Malaysian economy itself, reflected in third party endorsement by foreign banking and investment analysts, NEAC said.

As for CNBC itself, the council said that "if this programme scheduling was aimed simply to improve CNBC's audience ratings, we can only conclude that sincere efforts to accommodate your interview request was returned by intentions of deliberate ridicule and ill-will."

The NEAC stressed that Roche's consistently wrong prognosis on Malaysia and refusal to recognise the real and fundamental progress the government has achieved "will deny him any future credibility."

"On hindsight, an armchair commentator such as Mr Roche has the privilege to say Malaysia was lucky that international financial conditions changed coincidentally at that time," the council said.

He cites South Korea and Thailand as successful cases that did not resort to capital controls.

"It should be noted that Thailand has a lower Gross Domestic Product (GDP) forecast than Malaysia, and more than coincidentally, Mr Roche forgets to mention Indonesia, which does not fit well in his anti-capital controls theory.

"Lest Mr Roche forgets, economics is only part of the equation to successful governance. What poses an arguably greater and more complex challenge is to maintain stability and harmony within a multi-ethnic society during difficult times such as these," it said.

That his prognosis does not hold water was evident by his editorials in certain publications last December where predicted "Malaysia's living standards would plummet" due to the imposition of selective capital controls leading to "social upheaval that will will force Mr Mahathir to go..."

On the contrary, Malaysia's economy was once again beginning to take off after a year of painful recession thanks to economic recovery measures plus the controls it took without depending on meddling outside help.

Roche also presented absurdly pessimistic figures whereby for instance, he said Malaysia had a current account deficit in 1998 when the opposite was true with the country chalking up a surplus of RM36.8 million.

Investment banker Morgan Stanley Dean Witter states that "Malaysia's policy mix is sound and sustainable," while SG Securities said low interest rates and inflation made possible by the controls and the ringgit peg has seen import and export figures rise, the latter turning positive for the

first time since July 1998, "indicating a return in consumer confidence and domestic demand."

This also has helped Malaysia register a significant increase in external reserves, from US\$20.5 billion at end-June 1998 to US\$31.2 billion as at June 7, 1999, positive indicators which Roche seems to be oblivious about.

HSBC Research said that Malaysia was "ahead of all its South-east Asian peers" due to the restructuring of bad debts and banks through asset management company Pengurusan Danaharta Nasional Bhd, Danamodal Nasional Bhd which would recapitalise weak banks and the Corporate Debt Restructuring Committee which would restructure corporate debts.

"The phased and systematic approach of these special agencies does not mean that Malaysia is ignoring inherent weaknesses in the system.

"Rather, the prerequisite of providing a solid financial base is allowing restructuring and management reforms to be undertaken in a less destabilising manner with greater chances of success," the NEAC said.

Even the International Monetary Fund (IMF) has admitted that Malaysia "has certainly moved quite far ahead in terms of restructuring the financial sector and that their macro-economic policies are good.

The Fund's senior advisor in the Asia-Pacific Department, Margaret Kelly, was quoted as saying in the letter by the NEAC that Malaysia has "wisely used the breathing space provided by the controls."

It should be noted that since the introduction of selective capital controls, foreign direct investment continues unaffected and portfolio investment flows have increased, fuelling a rebound in the Kuala Lumpur Stock Exchange's composite index from 262 points on Sept 1, 1998 to 783 points as of yesterday.

The NEAC also said that in the political arena, Roche's acumen barely covers, to use his phrase, "even half a postage stamp." -- BERNAMA

MR SHY