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1998 a trying year for the country

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ONE year and five months have passed since the economic turbulence hit the country, breaking Malaysia's clean record of 8 per cent growth over the past 10 years.

For 1998, it has been a year of implementing measures to neutralise the impact of the regional economic turmoil that has transformed the roar of the Asian economic tigers in the Pacific Rim to the mewling of lost kittens.

Even though Malaysia is undergoing a bleak period, there are those in the region suffering greater losses by the economic crisis that was started by the regional currency turmoil.

The worst affected countries turned to the International Monetary Fund (IMF) for assistance only to see the year turning uglier, and their economies becoming from bad to worse.

These countries received IMF help, but only if they prescribed to their severe measures. The irony was that the IMF measures did not guarantee immunity from further economic deterioration.

Unemployment and industrial unrests plagued many of Asia's battered economies even after they followed the IMF's conditions.

Malaysia, however, was spared much of this painful lesson. It opted to cut its own path to recovery.

Malaysia has avoided taking the IMF's handouts and hence much of the strings attached to it.

The Government was forced to impose belt-tightening measures when it realised that the economic turmoil was taking a toll on the country's national reserves. The year also saw the country's National Economic Action Council (NEAC) inaugural meeting late January last year. The highly publicised meeting was chaired by Prime Minister Datuk Seri Dr Mahathir Mohamad. It was agreed in the meeting that tight monetary policies, which had stemmed the tide, were to be continued.

But this policy to starve the economy of credit was reviewed at the end of the second quarter. Abruptly, the Government's stand on practising this tight monetary policy took a 180-degree turn.

The move coincided with the appointment of NEAC executive director Tun Daim Zainuddin as Malaysia's Special Functions Minister in June where the Government adopted a different approach.

If deferment of infrastructural projects were thought to be the best medicine for Malaysia in the beginning, the Government in July now decided that such projects will help to trigger spin-offs in other sectors.

Malaysia was convinced that 140 types of economic activities will take place once the country's construction industry gets going. A special fund to assist this industry was set up.

The year also saw how the actions of international rating agencies, downgrading Malaysia into a junk bond status, destroyed the country's intention to raise capital to support its economic recovery plans.

Malaysia had established an asset management company, Pengurusan Danaharta Nasional Bhd, and a special purpose vehicle, Danamodal Nasional Bhd, to assist efforts to strengthen the country's banking sector.

Danaharta is entrusted to flush out non-performing loans (NPLs) of local banks, while Danamodal is to recapitalise these banks so that they are liquid enough to extend loans to the corporate sector.

During this tough times of overcoming the economic turbulence, the

country was also hit by a political crisis. The then Deputy Prime Minister Datuk Seri Anwar Ibrahim was sacked from his post and party in September on allegations of immoral conduct.

His post was left vacant but during the last few months of the year, there were active speculations on the possible candidates to hold this position. Dr Mahathir chose to leave the country in the dark whenever was asked on the matter.

Considering the rough times that Malaysia had to go through, the idea of the country hosting an international sports event and the venue for the Asia Pacific Economic Cooperation (Apec) meeting was a bad one to begin with.

But Malaysia succeeded in proving these sceptics wrong. The Commonwealth Games, which started from September 11 to September 21, was a tremendous success.

The Apec summit, while saw US Vice President Al Gore insulting the host Malaysia, can also be described as an achievement for the country. A special financial package to assist the region in overcoming the economic crisis was also announced at the meeting.

It was a trying year for Malaysia in 1998. It was indeed a tough year for the country considering the fact that the events it had to organise on the back of the economic and political crises.

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