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Planning and knowing the causes of things

Hardev Kaur

THE Japanese Tsunami and the economic ill wind from the US sent equity and currency markets into a frenzy last week. Many regional currencies hit lows that they had not seen in years while equity markets appeared to be in a race to the bottom.

Currencies such as the Singapore dollar which were spared by the crisis in 1997 hit a low of more than 11 years, the won a low of 30 months and the baht a low of 37 months.

The ringgit remained stable due to its peg introduced in September 1998 which provided the much needed stability and predictability.

Businesses need stability and predictability as a volatile environment is not conducive for operations and planning. In drawing up future plans, it is equally essential to know the environment in which businesses will have to operate.

In view of this the motto of the London School of Economics, "Rerum Cognoscere Causas" or "Know the Causes of Things" is as relevant today as it was before. It is only with knowing the causes of the current economic slowdown that appropriate policies can be drawn up and implemented for maximum benefit.

It is also with knowing the causes that preparations can be made to better steer the domestic economy in the face of a US and Japanese economic slowdown which is expected to impact the rest of the world.

The international and regional institutions are revising downwards their forecasts for growth this year and so are individual countries, including Singapore, Thailand and South Korea.

According to the Asian Development Bank and the World Bank, Malaysia is forecast to record the highest growth in the region. Even so Bank Negara has revised Malaysia's forecast downwards to a growth of 5 to 6 per cent for this year from the 7.5 per cent gross domestic product recorded last year. The Outline Perspective Plan targets a growth of 7.5 per cent for the 10 years from 2001 to 2010.

Countries in the region are bracing themselves for the US slowdown. The Thai Prime Minister, Thaksin Shinawatra, has urged his countrymen to pull together and reduce imports to steer the country out of trouble. "We are not out of the crisis yet so we must run the country under a crisis management plan," Thaksin said over TV.

Seoul pledged to use an additional 3 trillion won from the state-run pension funds to prop the Kospi, which has plunged to its lowest level since late 1998.

Japan unveiled a package of measures to bolster its economy by tackling its financial problems. The package is aimed at helping banks dispose of the bad loans and at reducing their vulnerability to stock market swings by setting up a fund to buy part of their 43 trillion yen (100 yen = RM3.08) in share holdings.

Many of the plans unveiled are narrowly focused on boosting the stock market or reviving the banking sector. Malaysia's plans, on the other hand, cover a whole spectrum - financial, corporate, social, economic, domestic and external sectors.

In a short period of time, at least five plans - The Financial Market Master Plan, the Equity Market Master Plan, the RM3 billion pre-emptive plan, the Third Outline Perspective Plan (OPP3) and the Eight Malaysia Plan (to be tabled in Parliament soon) - set out the country's short-,

medium- and long-term goals.

In addition to the pre-emptive plan to cushion the domestic economy from the adverse external environment, other plans, strategies and policies have been unveiled to deal with the global economic slowdown.

The National Vision Policy or the OPP3, which succeeds OPP2, marks the "second phase of the nation's journey to realise Vision 2020". It also spells out the need for continued restructuring of the economy, first outlined in the New Economic Policy.

Plans, according to Prime Minister Datuk Seri Dr Mahathir Mohamad, draw "from rich experience in economic development and nation-building". While the Financial Sector Masterplan and the Capital Market Masterplan set out the direction and focus of the two industries, the medium- and long-term plans stress the need for local industry to move up the value chain in the related industries.

According to reports: "Taken together, the pump priming package and the National Vision Policy signal that the Government has thought through its policies..." The plans spell out a natural progression to take the country into the new era and new economy for a balanced and equitable development.

The world environment, and more so the economic environment has changed. This calls for doing things differently and it demands greater agility and ability to adapt to changes.

"We must be prepared to reinvent ourselves, to change our mindset, to be innovative, resourceful and disciplined, as well as to have a sense of urgency in the face of increasing challenges," Dr Mahathir said.

Malaysia has progressed from a primary commodity producer to a manufacturer and has set its sights on becoming an information technology and knowledge-based economy.

The country has the ability and capacity to excel. It was second to none in research and development in natural rubber and palm oil. These capabilities and commitment are needed in the newer industries that will help push the economy towards its set goals.

With a hostile external environment, peak performance in the domestic sectors is essential for growth and development. Knowledge, skills and productivity must be enhanced and improved in step with efforts to progress, develop and to enhance the country's competitiveness.

A knowledge-based economy will strengthen Malaysia's capability to innovate, adapt and create indigenous technology; design, develop and market new products thereby providing the foundation for endogenously-driven growth.

The plans and the goals set out in the documents will remain just that if they are not implemented. The implementing agencies need to ensure that the bureaucratic red tape does not hamper progress and development. Execution and implementation of the plans is just as important and critical as identifying the problems and "causes of things".

Recognising this, Dr Mahathir stressed that "all segments of Malaysian society are required to relentlessly strive for greater success in the face of increasing domestic and global challenges ahead, and stand united in our efforts to build a resilient and competitive nation".