

PM's pragmatic management winning market confidence

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PRIME Minister Mahathir Mohamad, who took over the finance minister's portfolio last June after the resignation of Daim Zainuddin, has managed the economy with pragmatism and his policies are restoring market confidence, economists and analysts said.

"He has actually done quite well - particularly in corporate reforms, as evidenced by the net inflow of foreign funds since last July. Prior to that, the outflows lasted for 16 months.

"He has stopped the haemorrhage. That's testimony of foreign acceptance of his reform program," said Nizam Idris, Singapore-based regional economist for Idea Global.

Bank Negara's international reserves were up RM14.1bil in July-September 2001, compared to a fall of RM4.4bil in the previous quarter. Its reserves rose to RM117.798bil on Jan 15 from RM117.223bil Dec 31, the latest figures show.

Nizam said the 76-year old premier's decisive move to speed up debt restructuring of major corporations and "flush out" several corporate figures whose corporate actions were responsible for market falls in the past has won applause from investors.

Market sentiment for the Malaysian market took an obvious positive turn when the government began a series of plans in July to restructure the United Engineers/Renong group and

remove chairman Halim Saad, analysts noted.

Economist at Mayban Securities Research, Zulkifli Hamzah, said Mahathir's economic policies are seen to be more "investor-friendly" and placing greater emphasis on corporate governance.

A watchdog committee to take care of the interests of minority shareholders was set up by major local institutional funds late last year, he noted.

A fund manager said Mahathir has put in place professionals to run the finance ministry and noted that several major foreign stockbroking houses which were previously underweight on Malaysia have turned positive.

In their recent reports on Malaysia, both Merrill Lynch and JP Morgan have recommended an "overweight" on the country.

"Mahathir has taken in some quite good professionals to help him run the finance ministry and the NEAC (National Economic Action Council) and to implement his policies. I am quite impressed," said the fund manager, who asked not to be named.

Chia Kwan Chai, parliamentary secretary to the Ministry of Energy, Communications and Multimedia, said: "As a politician, Mahathir's policies are pragmatic. From our feedback, investors feel that policies are implemented faster and clearer now. He is more neutral and more businessmen are benefiting from his

stimulus packages."

He said Mahathir's prompt and apt policy response to the Sept 11 incident enabled the country to avert a recession last year and his second economic stimulus package to implement small projects has filtered down to the grassroots "quite well."

"The PM is decisive when he acts. Go to the rural areas, you have never seen so many roads and drains being repaired or built at the same time. These will benefit small contractors and spur more activities at the grassroots level. The bigger projects will take time to filter through," Chia said.

He added that giving civil servants a bonus and increment was a practical way in Malaysia to encourage domestic spending and spur economic activities.

Jamaludin Bujang, senior analyst at CIMB Securities, said Mahathir has done well partly because he is also the prime minister.

"Generally, he has done well as a finance minister but partly, he has the advantage of being a PM. But that aside, you have to give him the credit that he was the one who fixed the ringgit peg and as a politician he puts his ear on the ground," Jamaludin said.

He noted that Mahathir has beaten his critics many times - including the implementation of exchange controls and ringgit peg in September 1998.

Even the International Monetary Fund, which was very critical of Malaysia then, has changed its tune and praised Mahathir now, he added.

In a recent report, the IMF said Mahathir put in place "robust and unique policies" in handling the 1997-1998 financial crisis and noted that Malaysia's recovery in 1999-2000 was among the strongest of the crisis-struck countries.

"Basically, Mahathir is just carrying on what he has done in the past as prime minister but as finance minister, he is putting more pressure on implementation.

"Certainly, the corporate debt issue is at a higher gear and Malaysia has to get over and done with this issue before it can move on," Zulkifli of Maybank Securities Research said.

Analysts said the market wants to see more corporate reforms and more irresponsible corporate players being flushed out, irrespective of their political allegiance and race.

Nizam of Idea Global said: "Malaysia still has a lot to do. The government will have to continue with corporate restructuring and removing corporate players who have caused companies to accumulate debts and sink, and have caused so much anguish to the country.

"If continuous reform is seen, international rating agencies might upgrade Malaysia. As for now, most of us (foreign analysts) are just neutral on Malaysia," he added. - AFX