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Business sector hails smooth transition

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THE announcement of an orderly transition in leadership from Prime Minister Datuk Seri Dr Mahathir Mohamad to Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi promises that it will be business as usual.

Tan Sri Ramon Navaratnam, an economist and adviser to the Sunway Group, said it was a relief to know that Dr Mahathir will stay on as head of Umno and Barisan Nasional for another year.

"But it is still a little disconcerting... business confidence may be affected as this (his decision to step down) has come as a shock... there was no indication that Dr Mahathir would be leaving.

"However, if that is his decision, it is reassuring that he has prepared for a smooth succession," he said.

Navaratnam said the business community has great respect for Abdullah and the fact that he is taking over offers some comfort.

US-Asean Business Council president Ernest Z. Bower said Dr Mahathir's resignation will not deter American businessmen from continuing to invest in Malaysia.

"All I can tell you at this point is that American businesses are committed for the long term to Malaysia.

"We have experienced a very high level of professionalism from our business partners and among the government officials who work to create an environment that encourages enhanced trade and investment.

"We expect this environment to be fostered well into the future," he said.

Bower said the council hopes and expects Malaysia to maintain its pro-business policies to ensure continued growth and job creation.

The American Malaysian Chamber of Commerce (Amcham) also looks forward to seeing the policy stance maintained.

"As indicated by the recent Amcham-Gallup survey (which rated Malaysia as being politically very stable), American businesses in the country have strong confidence in the political climate here," said Amcham president Timothy Garland.

"A smooth transition would be very welcomed."

An economist from a research firm, meanwhile, said the most important thing now is for economic policies to remain the same, particularly government spending and the ringgit peg.

"Abdullah is quite safe because he is close to the PM... so my guess is that things will not change. We think the ringgit peg should stay for a while yet," he added.

Nik Fauzan Nik Mohamed, economist at Hwang-DBS Securities, said the core macro-economic policies will likely be maintained "to provide stability in the initial stages".

However, some uncertainties in the political equation can be expected, he said.

Helen Tan, a research manager at ASM Asset Management which handles over RM400,000 in local funds, said the announcement brought a measure of relief to the market but may not completely eliminate selling pressure.

The market hates uncertainty, which means the new Prime Minister has to be clear cut about whether there will be policy changes, she said.

"If investors perceive that no drastic changes are in store, the market and business in general will get back on track very quickly."

Conservative foreign funds may stay out of the market until the dust

settles though, but the aggressive ones are likely to start nibbling given the attractive prices now.

This is especially so given Wall Street's weakness of late.

The stock market, which reacted negatively on Monday after Dr Mahathir's resignation announcement at the weekend, fell another 9.29 points yesterday to close at 717.21.

An analyst with a securities firm said the Kuala Lumpur Stock exchange Composite Index (KLCI) should find strong support at the 700-point level.

This is because the market had already entered a correction mode prior to the announcement.

"The support level prior to the news was 725-730.

"We believe that any further negative response would be moderate, because the market has largely come to grips with the Prime Minister's resignation.

"Any downside would be limited... we do not believe the index would go below 700," the analyst said, adding that Monday's fall was a knee-jerk reaction.

On Monday, heavy selling towards the close saw the KLCI falling 16.85 points or 2.27 per cent to 726.50.

Trading volume was 242.940 million shares, double that of last week's daily average of 117.798 million shares, but lower than the three-month daily average of 311 million.

"We believe that Dr Mahathir could assume a senior position like what Lee Kuan Yew had done in Singapore, at least during the transitional period," the analyst said.

Professor Dr Mohamed Ariff, executive director of Malaysian Institute of Economic Research, said Abdullah has his work cut out to convince the business community.

"The concern is whether Abdullah will carry out the policies with the same enthusiasm. If he can show that a change in leadership does not mean a departure from old policies, then the doubts and qualms will settle down.

"The good thing is our economy is already on auto-pilot... it will continue to recover."

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