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Lessons learned and applied

A COUPLE of days ago in Germany, Dr Mahathir Mohamad reminded his audience that Malaysia's economic recovery was not solely due to the pegging of the ringgit but "many other measures". Even as he spoke, back in Kuala Lumpur Dr Zeti Akhtar Aziz was releasing Bank Negara Malaysia's 2001 Annual Report, which amounts to a compendium of data on just what those measures were and how well they are working.

This is not to gainsay the importance of not only pegging the ringgit but also the genius of its under-valuation of RM3.80 to the US dollar. Recalling the financial and political crisis of 1998, a good case could be made for this having been the single most crucial factor in providing a margin of safety in which to set to work reconfiguring the battered economy. It bought us time, and Zeti's satisfaction with the latest BNM report testifies to how well that time has been used.

Growth, at 3.5 per cent, is higher than expected. The trade surplus is high, at 7.9 per cent of GNP, and export demand is recovering. The fiscal deficit is lower, at under RM19 billion, and is considered manageable. Private-sector participation is healthy in ports, power plants, transportation, oil and gas and housing. Foreign exchange earnings have been cultivated in health, education and tourism. All well and good, but what's truly encouraging about the BNM report is not as quantifiable. This is the progress it indicates not only in repairing pre-crisis excesses, managing debts and restructuring corporations, but also in establishing a new mindset towards financial and corporate management. Coincident with the report's release came the final merger of Rashid Hussein Berhad and Utama Banking Group, the last of the mandated bank mergers, leaving subsequent sectoral development to market forces. Meanwhile, the KLSE has instituted "circuit-breakers" to guard against irrationalities of exuberance or despair. Bank Negara itself wants its planning timeframe be extended from the present one year to two.

These join many other indicators of sobriety and prudence coming to the fore not just in central decision-making but across the board of fiscal management and economic development, hopefully rebuilding for this nation a more solid foundation upon which to continue stretching for success.

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