

29/03/2002

Soros and Calpers want to buy Malaysian bonds

Hardev Kaur

REMEMBER George Soros who had described Prime Minister Datuk Seri Dr Mahathir Mohamad as "a menace to his own country"? He had also said that the selective capital controls and other policies implemented by the Malaysian Government were "a recipe for disaster".

That was in 1997. In 2002, Soros seems to have changed his tune. He is not as critical now and wants to put his money into Malaysian sovereign bonds. Obviously, his predictions of dire consequences did not happen and Malaysia is doing quite well.

The self-help policies and selective capital controls, far from being a disaster, have been a "recipe for success", avoiding greater damage to the economy, saved millions from greater suffering and helped put the economy back on its feet and growth path.

With potential for even greater growth and prosperity in Malaysia, Soros now wants a share of the fruits and reap additional profits and increase his wealth.

Similarly, Calpers, the California Pension Fund, which withdrew from Malaysia alleging that there was a lack of corporate governance, lack of transparency in labour practices and capital market openness, made an about turn and was keen to have a share of the sovereign bonds recently.

Their actions and statements may not appear in sync. But Soros' actions are in keeping with his beliefs and philosophy. According to a Financial Times report, in 2000 Soros admitted to being ruthless. He dealt with "numbers on the screen" and brought the Bank of England to its knees in 1992 and reaped STG1 billion (worth RM5.47 billion now) in the process.

Like Soros, many were and some still are critical of Malaysia, its leadership, economic policies and management as it is "fashionable" to do so. After all, Malaysia, a small developing country with its outspoken leader, needs to be "tamed, knocked down and cut to size". But the fact that Malaysia was pursuing self-help policies in its own national interest and in the interest of its citizens did not count.

The vocal and open criticism of Malaysia's policies and its economic management are in contrast with the destruction, suffering and havoc in countries that sought International Monetary Fund help. Malaysia's self help, homegrown selective capital controls have not only worked but have helped cushion the economy from external volatility and shocks - a fact that is being acknowledged by its most ardent and vocal critics.

The policies enabled the economy to emerge faster and stronger out of the crisis than its neighbours. The vote of confidence and faith in the future of the economy was clearly demonstrated by the over subscription of the US\$750 million (RM2.85 billion) sovereign bonds. The vote of confidence was also reflected in the extremely tight spread.

Dr Mahathir told Malaysians in Moscow earlier this month that the economy, which has emerged from the 1997-1998 crisis, is expected to do even better this year. Bank Negara's annual report confirmed the positive outlook. Its figures show that the economy, unlike some of its neighbours, avoided a recession, registered 0.4 per cent growth last year and is expected to grow 3.5 per cent this year.

Malaysia has come a long way. It was not too long ago that many did not know where Malaysia was. But today, Dr Mahathir told the Malaysian community in Russia, "We are among the most developed of the developing countries". What he did not say was that the country has achieved its

current level of development much faster than the developed countries did.

Malaysia also achieved progress by pursuing its own "policies and brand of development". It was criticised and condemned for "not following the advice" of the multinational organisations and individuals such as Soros and Marc Faber, who is also known as Mr Doom.

But those who followed their advice found themselves in even greater difficulties and problems. Their institutions have been weakened further, their citizens made to suffer even more and unnecessarily while the multilateral institutions continued to insist that their "destructive" policies are followed.

The unorthodox Malaysian policies and its self-help approach has proven that the West and the developed world is not the only source of "good workable" ideas and policies. Others too have the capacity to think and devise policies that are best suited to local conditions and environments that they best understand.

Those sitting in well heated or air conditioned rooms, depending on the season, in the developed capitals hardly know the actual situation on the ground. The dependence on statistics and analyst reports and recommendations can result in fatal errors.

Enron is a classic case where the analysts and fund managers, basing their recommendations on analyst reports, were recommending "a buy" on the day when the company was filing for bankruptcy.

Similarly, for Malaysia, the fund managers who were bullish had turned bearish almost overnight and the rating agencies were competing with each other to downgrade the country. The fact that the micro and indeed the macro economic conditions in Malaysia were vastly different from those in other countries did not matter. It was a matter of following the herd and rushing for the exit. Malaysia was lumped as one of those countries in East Asia that had collapsed and should be avoided.

It is this same country that is being wooed by the likes of Soros and Calpers, in addition to many other critics who wanted to buy the Malaysian bonds as they saw positive signs for the country's future.

* hardev@alumni.KSG.harvard.edu

(END)