

08/01/2004

Announcements could herald a good start for the new year

Zainul Arifin

THE capital market, it is often said, hates uncertainties.

Raise taxes if you must, or impose capital control if it suits you, but do not leave people guessing. In the event of uncertainties, speculations abound, and often the damage done by overactive imaginations could be worse than the reality.

The announcement yesterday that Datuk Seri Najib Tun Razak was appointed as Deputy Prime Minister removed a large chunk of the uncertainties.

The post of DPM was a constant source of speculation, from the patrons of mamak restaurants all the way to the cocktail circuits of the chattering class, ever since former Prime Minister Tun Dr Mahathir Mohamad announced in the middle of last year that he was quitting.

A new Cabinet was also a source of speculation. Yesterday, just over two months after taking office, Prime Minister Datuk Seri Abdullah Ahmad Badawi announced a minor reshuffle ahead of a general election due this year.

A good story deserves a good twist, and this is especially true with the surprise appointment of non-politician technocrat Tan Sri Nor Mohamed Yakcop as Finance Minister II.

The market it seems took kindly to his appointment, a man known for his market and business savvy. His appointment in a way reaffirms the Government's pro-business credentials.

The appointment is also seen as a complete rehabilitation of the former central banker who took the fall when Bank Negara reported a book loss of over RM9 billion at the end of 1992 when it bet long on the sterling ahead of what was to be the near dismantling of the European Community Exchange Rate Mechanism at the hands of currency speculators.

Nor Mohamed as adviser of Bank Negara then was responsible for managing the bank's international reserve, of which forays into the foreign exchange market were called for. Poker faced and soft spoken he seemed born for the rough and tumble world of international foreign exchange market.

While many blamed him for the losses, not many realised that he and his method had a hand in boosting the central bank's international reserves from RM27 billion in 1990 to RM76 billion at the end of 1993. He left the bank in mid 1994, before rejoining it again as special adviser in September 1998.

Not many too know that Nor Mohamed was central in the development of the Islamic banking system, particularly the debt market, despite claims by many.

But more important, and still fresh in the memory of many, was his role in the implementation of capital controls in September 1998 following the chaos in the wake of the regional financial crisis.

For the past few years, as economic adviser to the Government, he was actively involved in the rehabilitation of distressed corporations scarred by the crisis, and was key to the successful restructuring of Malaysia Airline Systems Bhd, Malaysia Resources Corporation Bhd, the Renong-UEM Group, etc.

A market savvy person, Nor Mohamed was also the force behind the creation of ValueCap, a company with a RM10 billion coffer, that would take positions in companies on the Kuala Lumpur Stock Exchange that are unrealistically undervalued by investors.

Datuk Dr Jamaludin Jarjis, the former Finance Minister 2, will go to Domestic Trade and Consumer Affairs Ministry. Some see it as a comedown from the rarefied air of the Treasury - Jamaludin's appointment slightly over a year ago was much of a surprise as Nor Mohamed's yesterday - but clearly his task remains equally important.

The era of enlightened consumerism as well as the private sector being the main driver of the economy would see the ministry's plate full for years to come. Under it will be the tens of thousands registered business entities, and Jamaludin's challenge will be in the creation of tens of thousands more, as well as the employment opportunities they will generate.

On its laps will surely be the regulations of these firms as well as the promotion of corporate governance and private sector responsibility, areas in which we still have room for improvement. For sure, the ministry will not only be actively monitoring the prices of chicken during festive seasons, as it is often led to believe.

His predecessor Tan Sri Muhyiddin Yassin, acknowledged as one of the contenders for Deputy Prime Ministership, will be going to Agriculture.

Again, perception belies the truth. For the past few years, and made again more clearly in Budget 2004, agriculture has been identified as the next growth industry and slated to be the third engine of growth for the country, after manufacturing and services.

The emphasis on agriculture is not only to reduce the burgeoning food import bill, but also to develop it into a source of revenue, especially from export.

Ironically, Malaysia, which has always been strong in agriculture, but mainly in commodities like oil palm and rubber, has failed as a food producer.

Food production has always been on piece meal basis, and there has never been large scale farming and production, including food processing.

His predecessor Datuk Effendi Norwawi, who will be heading to the Prime Minister's Department, has surely set a steady framework for a more commercial farm industry. Often at the Ministry, Effendi seemed to be a man ahead of his charges, trying to make businessmen out of bureaucrats.

Right now there will undoubtedly be overactive small minds poring over the appointments, doing quick political calculations, trying to pick winners and losers. This unfortunately is a much popular pre-occupation of many, what with politics, or the subject of politics, being a favourite pastime of many Malaysians.

What is more important for the business community, and to a large extent the capital market, is that the removal of uncertainties that had encouraged inertia and misspent enthusiasm.

Presumably, with uncertainties out of the way, resources could be better channelled to productive work. Yesterday's announcement could be a good start for the new year.