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Cutting red tape could help the Malaysian economy

Ramon Navaratnam

WE are already a few days into the new year and the global and Malaysian economy continue to be weighed down by the terrible prospects of a US war against Iraq.

With the business climate and the business mood not positive, what can we expect in 2003?

Indeed Malaysian business confidence is low, with all this uncertainty in the international economic outlook.

It is therefore encouraging that the Second Minister of Finance, Datuk Dr Jamaludin Jarjis, announced that the Government will be taking measures to fine tune economic strategy to take into account the changed economic environment after 9-11 and the recent Bali bombing.

NEAC executive director Datuk Mustapa Mohamad later announced that it was too early to talk about the details of the new measures to sustain economic growth.

Any new package must be carefully thought of and has to come sooner rather than later.

It must also be bold to be effective.

Basically, the new economic measures must enable the economy to be more transparent, liberal and competitive, even if the Government cannot continue to pump-prime the economy.

As Prime Minister Dr Mahathir Mohamad firmly said in his New Year message, Malaysians must have confidence in themselves and in Government strategies.

It is therefore important the new measures strongly boost public confidence and not fall short of public expectations. We should seize this opportunity to arrest declining confidence.

As a first step the Government must fully inform the Malaysian public of the challenges and opportunities in the new year and beyond.

The message should be that although our economic fundamentals are strong, they can be severely strained if the Americans attack Iraq, the economies of the Western countries and Japan continue to be weak and if the world economy sinks into a deflationary spiral.

US Federal Reserve Chairman Alan Greenspan told the Economic Club of New York on Dec 20 that "the US is nowhere close to sliding into a pernicious deflation" like the deflation in Japan.

But deflationary pressures can build up in the US - and consequently in the world economy.

What the US really needs to do is to cut back severely on its vast unproductive defence expenditure, which the Washington warmongers and armament industries are clamouring for.

Instead, Washington should invest more in civil works and programmes that will break the trend towards deflation in the US and the world. US policies should not just pander to the industrial-military complex and the Washington Consensus.

The latest estimates of the Organisation of Economic Co-operation and Development indicate the US would expand by only 2.6 per cent, Europe by just 1.8 percent and Japan by a mere 0.8 per cent in 2003.

These dull economic prospects in the industrial world together with the increased competitive challenges from China and Afta show that Malaysia's economic outlook cannot be expected to be bright in 2003.

So what can we do about it? We have to restructure the economy.

I was encouraged by what I heard at a a lunch hosted by the general committee of the Malaysian International Chamber of Commerce and Industry last month.

Their president, Jose Lopes, felt that more foreign investments will flow into Malaysia if foreign companies are made even more welcome to open up more regional headquarters in Malaysia.

Why then can't we do more to do just that?

Although the MICCI recognises the Government's good intentions at the highest levels to improve the business environment, foreign businesses continue to face much red tape on the ground.

These are push and not pull factors for more foreign investment.

Why can't we resolve these long outstanding problems fast enough? Is there a lack of official will or are we too tolerant of inefficiency in the whole Government machinery, especially at the lower implementation levels.

Are some civil servants waiting for rewards before they take prompt action? Or have we just given up wanting to change for the better because the civil service is now suffering from "fatigue" or complacency?

Whatever the reasons, I hope the new economic measures will give top priority to eliminate these nagging bureaucratic problems once and for all.

The Malaysian Administrative and Modernisation Policy Unit organised a panel last month to celebrate their 25th anniversary in Putra Jaya last month and I was invited to be one the speakers.

I could sense that although the able Chief Secretary to the Government Tan Sri Samsuddin Osman and most of his senior officers are highly committed to improving the Civil Service, there is a major problem in ensuring that this same spirit of service to "God, King and Country", is shared down the line.

However, there appears to be a lack of a sense of urgency and some incompetence that worsens as we go further down the line of seniority in the public service.

The Civil Service should accelerate rather than decelerate socio-economic development.

One important new economic initiative taken to overcome some of our problems is the announcement by Prime Minister Datuk Seri Dr Mahathir Mohamad in Tokyo on Dec 13 that Malaysia and Japan will start discussing a broad-based bilateral Free Trade Area (FTA).

We have no choice but to pursue this line of global expansion of trade and investment, now that Singapore has broken the tradition of promoting closer Asean co-operation and cohesion.

Asean countries will from now on each go more and more their own way and the Asean spirit could gradually fade away.

The world economic outlook is tenuous and damaging to international business confidence and we hope the Government will take strong economic measures to improve the business climate and socio-economic prospects.

We also hope that there will be no war in Iraq after the UN Inspectors submit their report on Jan 27 and that we will be able to enjoy peace and prosperity in 2003.

Happy New Year.