

As ringgit slides, Putrajaya more concerned with power, says Bloomberg columnist
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Putrajaya is more interested in holding to power than retooling Malaysia's economy, said a Bloomberg columnist.

Citing the current slide of the ringgit which many had attributed to worsening global outlook, plunging commodity prices and the current political scandal linked to Prime Minister Datuk Seri Najib Razak, William Pesek said the real culprit is the year 1997 when then Tun Dr Mahathir Mohamad pegged the ringgit and introduced capital controls.

He said while the move was initially lauded and enabled Malaysia to avoid the fates of its regional neighbours which suffered economic chaos during the Asian financial crisis, it has now backfired and Malaysia could end up as the "biggest loser in the region".

He said the crisis had caused Malaysia's neighbours to improve its transparency, strengthen their financial systems and limiting collusion between public and private sectors.

In contrast, improvements in Malaysia's corporate governance have been "slow and uneven", the affirmative action policy is still in place, fight against corruption and efforts to make the country less dependent on energy exports have been "tepid", he wrote.

"Today's economic troubles are the product of that complacency. Had the Malaysian government worked harder to strengthen economic fundamentals and win the trust of global investors, Najib's scandal might not be sending the ringgit to its lowest level in 17 years," said Pesek, referring to the US\$700 million (RM2.6 billion) money in Najib's personal accounts, which the Malaysian Anti Corruption Commission (MACC) said was from a Middle Eastern donor.

"Had officials in Putrajaya, the country's administrative capital, done more to internationalise Malaysia's business culture, foreign investors wouldn't now be rushing for the door," he wrote, adding that the investors mistrust of Putrajaya stemmed back to policies pursued in the last 18 years.

Pesek said since Dr Mahathir took over as finance minister after sacking Datuk Seri Anwar Ibrahim in 1998, Malaysia's "awkward centralisation of power" has continued until today.

He said it also enabled Najib to come up with his brainchild, the troubled state fund 1Malaysia Development Berhad (1MDB), which has accumulated debts of RM42 billion and is currently being investigated for financial irregularities.

Coupled that the recent sacking of Najib's deputy Tan Sri Muhyiddin Yassin, Pesek described it as history repeating itself.

"Just as in 1997 and 1998, the government is more concerned with closing ranks than retooling the economy," he said.

He said while other nations also faced troubles, Malaysia's increased capital flight is "particularly worrisome" and the weakening ringgit has seen some quarters, including Dr Mahathir, proposing that the currency peg be reintroduced.

"But the mere mention of another peg suggests Malaysia's political establishment is still more concerned with the symptoms of the country's problems than the underlying causes.

"The ringgit isn't sliding because speculators like George Soros (who Mahathir blamed in 1997) are attacking it. Malaysian assets are suffering because the government failed to do basic economic maintenance -- in part because it avoided the worst of 1997 and 1998, in ways Bangkok, Jakarta and Seoul couldn't," he said.

Pesek said Malaysia's economy is not about to collapse, but stressed that the plunge of the ringgit does reflect its underlying fundamentals, which can be traced back to 1997. – August 11, 2015.

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