

## **Mahathir's policies likely to save nation**

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THE signs of an economic recession this year are plenty. In the last quarter of last year, chances of an economic recession happening in 2020 were one to three.

Now this probability has increased.

Long-term interest rates in the United States have fallen sharply. The yield curve also inverted late last year, forecasting buyers' lack of confidence for the short-term economic environment.

Historically, these signposts have been good predictors for slower growth the following year.

The yield curve especially has done well in forecasting the last few recessions in the past five decades.

A recession happens when a popular idea around the world turns out to be wrong. This is called a burst.

In 2001, this was the technology burst. In 2007, it was the housing burst. Since 2007, the world has seen relatively steady growth for close to 10 years.

A recession is due. This year, the Centre for Governance and Political Studies (Cent-GPS) believes that the big burst will come from the long-held belief that trade, diplomacy, currency, international coordination and multinational packs are grounds for economic stability.

The lead in destroying this popular bubble will come from the trade war between China and the US.

Just as in 2001 and 2007, a recession becomes global when a simple burst is followed by other shocks.

In 2001, the technology burst was followed by fears of terrorism. In 2007, the housing burst was followed by numerous bank closures.

What will follow the burst of 2020 is that numerous countries today are inward looking, both politically and economically.

This inward-looking reality that has followed Donald Trump's America First ideology will be the final nail for slowing business investment and spending.

Just the other day, a Deloitte survey found 97% of chief financial officers in big multinationals were uncertain about the economic environment in 2020, paralysed by the trade war and hesitant to make long-term plans due to the instability.

With lower global investment and big players holding back, the consumer market will likely be the biggest victims as businesses pull back on spending and hiring.

We may see potential increase in layoffs. Malaysia on paper looks the most vulnerable in a global recession.

It's clear that investors have fled the country after the new government returned to sales and services tax (the first and only country to ever revert from goods and services tax to SST).

The leadership transition issue, along with a new government reliance on fuel revenue, does very little to boost investor confidence in the long run.

Interestingly, it is Tun Dr Mahathir Mohamad's (pix) outward-looking policies that may save Malaysia.

The KL Summit may, in the long run, provide investors around the world with the confidence that Malaysia is still open for business. This will come at a time when Europe, the US and other developed countries are introducing new measures to protect and safeguard those in their borders.

Malaysia under Mahathir has done relatively well in distancing itself from the trade war, refusing at times to follow everything that China dictates, as well as choosing to continue working with Iran despite US warnings.

This outright Mahathirism foreign policy, reminiscent of his non-aligned movement past, will protect Malaysia against the second shock of the recession, making Malaysia an investment hub at a time when other countries are building more walls.

To safeguard Malaysia from the recession, Mahathir should continue as prime minister unless he can find a successor who will continue his more international yet non-aligned outlook.

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