



He no longer treated the health of individuals but Dr Mahathir very much had his finger on the nation's economic pulse and wasn't afraid to prescribe very bitter medicine when needed, writes JAGDEV SINGH SIDHU.

Treating the economy

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MALAYSIANS will remember their fourth Prime Minister as the man who fused business and politics in Malaysia, the man that made the economy better when it seemed the bleakest.

That ability to correct the ails of the economy was nurtured when he first took over the country in 1981, a time when the economy was growing a rate that would be enviable today.

GDP in 1982 was 5.2% and the economic growth accelerated to 7.8% in 1984.

But during that time, there were structural problems. Unemployment grew, from 5.2% in 1982 to 6.4% in 1984 and too much dependence was placed on the agriculture sector where a swing in commodity prices would mean a boom or bust cycle for the economy. Furthermore, unemployment then, by today's rates, was chronically high.

All of those problems collided in 1985 when commodity prices came crashing down, brought in part by an economic slowdown in the Western countries. GDP contracted by 1% in 1985 and the unemployment rate soared to 7.6%.

Datuk Seri Dr Mahathir Mohamad knew something had to be done. The Government was consistently chalking up high deficits and the current account during that period too swung into the red. Twin deficits in anybody's language were bad.

It was during the depths of adversity that Dr Mahathir engineered the first turn around for the Malaysian economy.

He started a privatisation wave to lessen the burden on government finances, started the industrialisation of the economy with Proton and opened the economy to foreign direct investment. Those were radical moves for the Malaysian economy but the timing of his actions was spot-on as the world was then looking at the tigers and dragons of Asia as a major engine of growth.

What followed was a wave of prosperity not seen before. Jobs were aplenty and the rate of unemployment fell to suggest full employment in Malaysia. The Government's deficit shrunk and by the mid 1990s was showing a surplus. Malaysia's current account swung to the black.

During that time, infrastructure in Malaysia was developed to be among the best in the region and became one of the world's largest exporting nations, churning out goods that could be found in stores around the globe.

Perhaps, it would have been easy for a leader to let his guard down at that point and simply enjoy the fruits of industrialisation, but economic history will teach you that cheap labour and low cost are not sustainable.

In the early 90s, Dr Mahathir envisaged the creation of the Multimedia Super Corridor - a hotbed for high-tech companies to develop new products and conduct research and development. He recognised the potential in ICT. Indeed, his message that ICT was the way forward would turn into a mantra.

But just as the economy seemed omnipotent with robust growth, Dr Mahathir was thrown what may be his biggest economic challenge during his tenure - the Asian Financial Crisis in 1997/98.



The KLSE was often the barometer indicating the highs and lows of the economy.

I'm going to quote (Datuk Seri) Abdullah Ahmad Badawi to describe the Prime Minister's 22-year tenure and that is "First World Infrastructure, Third World Mentality". It's the perfect summary of his achievements and developments.

One of the casualties of his government has been the subordination of various institutions, such as the Parliament, the judiciary and the police to the rule of the executive. But no doubt, he will leave behind a country which is leading the world in terms of infrastructure with the twin towers, the region's longest bridge and our new administrative capital Putrajaya. These probably overshadow those in other more developed countries.

- Former Opposition Leader and DAP National Chairman Lim Kit Siang

The crisis was something the Malaysian economy had never experienced. Capital fled from the country, asset prices - both property and equities - crashed and the ringgit plunged to levels never seen before.

It was the first time that Mahathir was actually lost for words. He once commented that he preferred to keep quiet because every time he spoke about the stock market, the market went down.

It was during the darkest moments of the crisis that Mahathir once again showed his flair in reviving the economy.

He formed Pengurusan Danaharta Nasional Bhd and Danamodal Nasional Bhd to help the ailing banks. His government also established the Corporate Debt Restructuring Committee to resolve the debt problems of corporate Malaysia and, much to the chagrin of foreigners, instituted capital controls and pegged the ringgit to stem the speculation on the currency.

Thankfully, external conditions were ripe for Malaysia to rebound. The US economy