

The Secret Stimulus Package

Written by Tengku Razaleigh Hamzah

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Even in the best of times, it is bad practice to run an economy on a political timetable. In this unprecedented global economic meltdown, it is a disastrous practice.

We have an economic crisis on a scale none of us has ever seen before. Despite being spared the first wave of financial repercussions of this crisis, we are fully exposed to the collapse of the flow of global manufacturing. The value of the retirement savings of America's Baby Boom generation has been halved. Their demand for Asia's manufactured goods will be drastically reduced.

This disrupts the entire system of global manufacturing whose largest consumer and debtor has been the United States. In net terms, Asia manufactured and America consumed. Asia lent, America borrowed. That arrangement is over. Asia's manufacturers will have to rely more on an expanded domestic demand, overwhelmingly from China. A new global economic order will have to emerge from the destruction wrought by this crisis.

What are we doing about this crisis and opportunity?

We need to be prepared to weather this crisis, but more than that we have to be prepared to come out of it equipped for this new landscape, which will be dominated even more than it has been by the growth of the BRICs (Brazil, Russia, India and China).

The last decade has seen us slip from being a model of development and growth to an also-ran economy.

I have argued that we need to get beyond thinking merely about "stimulus packages" in how we attack this problem. It's not about throwing money at a problem. We need an economic plan, a strategy, a vision for what we want to excel at, how we are to reform and restructure the economy so that we emerge more competitive, instead of having just "survived" passively. And we need to organize ourselves to execute these plans.

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In the Great Depression of the 1930's, the Americans built their national highway system. The Germans built the Autobahn. Eighty years later this infrastructure continues to support economic growth in these countries.

South Korea used the Asian Financial crisis to reinvent itself as the broadband leader of the world.

I have suggested (refer to [my speech](#) in Parliament 2006) we should develop our petroleum industry to focus on improving energy security for the region. This involves developing oil and gas and petrochemical industries and oil and gas trading and financing capabilities. It involves building storage and transport facilities that tap our ancient geographical advantage as the maritime crossroads between China and India, East Asia and the West.

I have also suggested a national housing programme.

The point is to have an idea, and to be absolutely serious about the execution of that idea.

How we cope with the present crisis will determine whether we come out with a chance at being once more in the leading pack, or seal our irrelevance even in our own backyard.

So far, all we have seen are an RM5 billion plan to prop up the stock market and a RM7 billion stimulus package. There appears to be no clear economic thinking behind either measure, and nobody seems to know what has and has not been implemented. So far the government has not revised its official growth estimate of 3.5%. This means we have essentially failed to respond to a problem that in any case we don't officially acknowledge exists.

And so far all details of the Second Stimulus package are a secret. The Prime Minister has dropped the hint that "it will be bigger than the first". All we know about the thinking behind this package is that "with enough money, growth is still possible."

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Estimates of the duration, proportion and depth of the crisis are still being worked out by world markets. So there's no need to stand by outdated projections as if they were magic numbers. We are past the era of central planning. Economic plans should be transparent and discussed openly so that the public and the business community can respond to them.

The US stimulus package was debated heavily before it was passed. The world knows what the US, UK, China, Singapore, Australia and South Korea will do in response to this crisis, but not what Malaysia or North Korea will do. We need greater clarity, and quick, transparent decisionmaking. There is no need to politicize growth estimates or to time stimulus announcements as if they were political goodies.

This is a rescue we are talking about, and our future is at stake.