Index

ADB, 79
affirmative action policy, 9, 11
aggregate demand, 114
agricultural sector, 91
agriculture, 8, 14, 16
annual
  growth forecast, 84
  investment, 89
loan growth target, 79
Anwar Ibrahim (Finance Minister), 52, 65, 66
APEC, 32, 63, 64
appreciation, 41, 53
arbitration, compulsory, 11
Article VIII status, 24
Asian Development Bank see ADB
Asia–Pacific Economic Cooperation see APEC
asset
  management company see Danaharta
market collapse, 91
prices, 49, 52, 68
austerity package 1997, 65
balance of payments, 17, 18, 39, 74, 92, 98, 107
'Balassa–Samuelson' effect, 41
bank
  borrowing, 35, 51
  credit, 35, 38, 48, 52, 79, 105
  deposit rates, 102
  lending, 52, 79, 103
Bank of International Settlement see BIS
Bank of Thailand, 100
Bank Negara Malaysia see BNM
banking
  merger programme, 80
  regulation, 51
  restructuring, 78, 100–103, 107, 114
  sector, 36, 68, 100
  transactions, 29
base lending rate see BLR
BCI, 68, 88
BIS, 38, 47, 100
BLR, 79
BNM, 12, 24, 29, 4, 47, 51–3, 61, 65–8, 74, 76, 79, 80, 104, 105, 107, 112
bond issue, global, 79
borrowing
  bank, 61
domestic, 29
foreign, 29, 44, 47, 92, 93, 103, 115
net public, 92
short term, 3, 29
Budget
  deficit, 12, 17, 18, 78, 91
  forecast, 65
government, 17, 91, 92
  1999, 78
  2000, 78, 91
Bumiputra quota, 52, 75
Business Confidence Index see BCI
'buy Malaysia' campaign, 65
capacity
  excess, 68, 69
  production, 103
capital
  account, 1–3, 26, 35, 95, 97, 99, 112
  accumulation, 17
  adequacy ratio, 39, 47, 111
  controls, 1–3, 65, 73–84, 93, 95–110, 113
  equity, 108
  flights, 2, 69, 100
  flows, 1, 2, 12, 26–32, 36, 37, 39–42, 69, 78, 81, 97, 100, 104, 106, 111, 113
  foreign, 1, 27, 43, 111
  long term, 92
  losses, 37

151
Crisis and recovery in Malaysia

market indices, 109
markets, 12, 27, 44, 78, 111, 112
mobile, 38, 44, 46, 58
mobilization of, 33, 100
portfolio, 24, 29, 43, 44, 61, 62, 105, 108, 111
of private sector, 35
repatriation of, 76
restrictions of, 26
short term, 1, 2, 22, 53, 69, 75, 76
volatile, 2, 4, 35, 43, 78, 93, 109, 111
cause-and-effect relationships, 3
CDRC, 67, 80, 100
central bank see BNM
central limit order book market see CLOB
CLOB, 78
coalition (Barisan Nasional), 9
commodity cycles, primary, 14, 16
Commonwealth Heads of Government Meeting, 64
company restructuring, 65
comparative analysis with other countries, 4, 5, 14, 32, 33, 37, 46, 47, 49, 56–8, 61, 62, 69, 71, 74, 95, 96, 98, 99–101, 103, 106, 107, 111, 112, 114
constitutional issues, 9
donstruction
boom, 55, 56
projects, 44
sector, 67, 91
consumer
demand, 91
price index see CPI
price inflation, 88
sentiment index, 88
consumption
growth, 89
private, 89, 105
public, 89
Corporate Debt Restructuring Committee see CDRC
corporate
financing, 51
governance, 35, 112
recapitalization company see Danamodal
restructuring, 78, 80, 100–103, 107
sector, 29, 35, 51, 100
counterfactuals, 3
CPI, 42, 55, 68
credit
boom, 52
contraction, 68
growth, 49, 112
institutional, 40
market, 103
subsidized, 10
credit-rating agencies, 73, 93
crisis management, 3, 52, 74, 75, 81, 97, 102, 113, 114
‘crony’ capitalism, 35
crude oil production, 91
currency
collapse, 32
convertibility, 1
crisis, 1, 2, 42, 57, 62, 63
depreciation, 29, 68, 71, 88
flotation, 61
foreign, 21
limited reserves of, 38
run, 41
slide, 61–3
speculators, 63
stability, 67
trading, 63
current account
deficit, 17, 18, 40, 42, 43, 57, 65, 98
opening, 105, 112
ratio, 43, 57
surplus, 57, 69, 92, 104
transactions, 24, 97
Danaharta, 67, 80, 100
Danamodel, 67, 80, 100
Danamodal Nasional Berhad see Danamodal
debt
devaluation–inflation spiral, 2
overhang, 92
public, 17, 18, 42, 92
service ratio(s), 17, 18, 43, 62, 71
short term, 29, 42, 57, 58, 93
stock, 92
development
expenditure, 12
potential, 8
of public sector, 12, 24
Index

of the rural programme, 9
schemes, rural, 9
domestic
banking system, 35
capital markets, 112
consumption, 68, 97
credits outstanding, 47
demand, 89, 93
inflation, 54, 55, 103, 104
investment, 68, 108
lending sources, 103
manufacturing, 76, 89
money markets, 90, 100
price trends, 104
production, 84
revenue, 18
Dow Jones Industrial Average, 109
East Asian newly industrialized countries see NICs
economic
collapse, 1, 2, 39, 62–72
conditions, 8
expansion, 41
external, policy, 105
liberalization reforms, 3
performance, 8, 13
policy shift, 65
stability, 71
strong growth, 18
Economic Strategic Institute, 93
economy, pre-crisis, 8–23
electronics sub-sector, 90, 91
emerging market economies, 27, 111
Employees’ Provident Fund, 12, 64, 79, 115
enterprises
private, 29
public, 12, 27
state-owned, 11
entrepreneurship, 11
equity
capital, 108
equity, 38
foreign ownership, 11, 24
investors, 112
trading, 35
estate sector, 48
ethnic and regional economic imbalances, 9
ethnicity, 9
Malay education, 10
Malay employment, 9–10
Malay share ownership, 9–11
plural society, 8, 12
race relations, 10
racial imbalance, 11, 21
excess capacity, 68, 69
exchange control measures, 76
exchange rate(s)
appreciation, 22, 53, 54
collapse, 2
competitive, 91
depreciation, 39, 68, 90
deterioration, 61
difference, 79
fixed, 53, 75, 76, 78, 103–5
flotation, 61
index, 53
misalignment, 41
overvaluation, 1
parity, 55
peg, 39
pressure, 12
real, 37, 40–42, 53, 54, 56, 58, 104, 111
regime, 12
reserves, 43
stabilization, 26, 81, 100, 105
weakening, 71
expansionary policies, 91
expenditure
for development, 12
operating, 12
parliamentary, 9
public, 10, 89
export(s)
coefficient, 14
electronic, 44
growth, 42
manufacturing, 16, 17, 89, 90, 91
merchandise, 16
orientation, 9, 14, 24, 53, 77, 90, 93, 103
performance, 92
production, 16
external trade balance, 92
family dominance, 35
FDI, 3, 11, 12, 16–18, 24, 26, 27, 29,
154  

Crisis and recovery in Malaysia

41, 43, 62, 76, 77, 93, 98, 105–7, 109, 113
Federal Territory of Labuan, 25
financial
fragility, 22, 52
liberalization, 52
markets, 26, 39, 75, 90, 100
sector, 5, 37, 39, 40, 48, 51, 52, 89, 96
fiscal
and monetary expansion, 88
balance, 17
policy, 12, 91
position, 91–2
pump priming, 91, 103
‘flight to quality’ of deposits, 68
foreign
bank decline, 52
borrowing, 29, 44, 47, 92, 93, 103, 115
capital, 1, 4, 27, 29, 43, 61, 76–8, 111
currency, 21, 112
currency sovereign credit rating, 111
dept. 42, 43, 74, 92, 98, 108, 115
direct investment see FDI
exchange 22, 24, 38, 39, 44, 53, 54, 69, 74, 76, 93, 96, 100, 111
firms, 52
governments, 92
investment flows, 26, 75, 112
investors, 33, 100
ownership of equities, 11, 24
ownership of plantations, 10, 52
participation, 11
portfolio investment, 22, 76, 78, 81
reserves, 44, 46, 98
share holding, 24
short term bank borrowing, 78
trade, 12
workers repatriation, 67
Fortune, 75
forward transactions, 26
GDP, 14, 17, 27, 32, 40, 42, 48, 49, 51, 71, 78, 84, 89, 91–3, 95, 105
global
bond issue, 79
financial markets, 26
government
excess funds, 12
expenditure, 12, 14, 66, 79
federal, 93
ministers’ salaries, 65
parliamentary, 9
procurement, 10
revenue, 12, 92
spending, 42, 65
Great Depression, 51
gross development expenditure, 92
gross domestic product see GDP
growth forecast, annual, 84
healthcare, 8
Heavy Industries Corporation of Malaysia see HICOM
heavy industry promotion, 10
HICOM, 10
high performing Asian countries see HPAEs
HPAEs, 14
human capital endowments, 14
ICA, 10
IMF, 1, 2, 24, 63, 66, 71, 73–5, 79, 81, 93, 95, 97–9, 113–15
IMF-World Bank meeting, 63, 65
import
duty, 78
of machinery, 89
restrictions, 10
selective, duties, 65
substitution, 10, 20
tariff lines, 12
import-month equivalent of reserves, 38
income
distribution, 21
per capita, 8, 13, 14
tax, 78
Industrial Coordination Act see ICA
industrialization
export, 9, 11, 17
new drive, 10
inflation, 17, 21, 54, 55, 68, 88, 103, 104
inflationary pressure, 53
Infrastructure Fund, 66
infrastructure projects, 9, 12, 56, 65
institutional credit, 40
insurance sector, 77
intercommunal rivalries, 9
interest rate(s), 12, 39, 48, 51, 52, 71, 97–100, 103, 114
Index

international capital movement, 80
competitiveness, 90, 103
credit rating agencies, 73
financial architecture, 2
financial crisis, 37
financial markets, 90
investment community production, 8, 12, 105
reserves, 58, 97
International Monetary Fund see IMF
International Offshore Financial Centre, 25
internationalization of production and trade, 8, 12
inter-bank
intervention rate, 65, 66
lending rate, 65, 79
inter-company relationships, 62
inter-country differences, 4
investment(s)
annual, 89
community, 65
direct foreign see FDI
domestic, 68, 108
overseas, 24, 44, 65
portfolio, 26, 29, 32, 38, 76–78, 81, 93, 107–9, 113
private sector, 80, 89
promotion campaign, 44
public, 89, 112
public sector, projects, 65
short term flows, 98
stagnation of private, 11
investor confidence, 3
inward transfer, 41
Islamic Development Bank, 79
issues
new equity, 35
new share, 33, 35
J.P. Morgan index, 42
Japan Import–Export Bank, 79
Japanese Overseas Cooperation Fund, 79
job creation, 11
joint ventures, 26

Keynesian reflationary policies, 2, 74, 109
KLSE, 25, 32, 33, 62, 64, 78, 88
KLSE Composite Index Futures, 26, 52, 88
Kuala Lumpur Inter-bank Offer Rate Futures, 26
Kuala Lumpur Stock Exchange see KLSE
labour
force participation, 20
legislation, 11
market flexibility, 11
market policy, 11
market reforms, 1, 11
surplus, 20
landed property, 77
league of developed nations, 21
legal borrowing limits, 29
lending
credit limits, 79
rate, 52, 68, 102
liberalization initiatives, 3, 24
literacy, 8
liquid domestic liabilities, 39
liquidity, 12, 39, 67
loan growth target, annual, 79
loans
approvals, 103
external, 12
non-performing see NPLs
recovery, 68
soft, 79
local bank dominance, 52
‘Look East’ policy, 10
M1, domestic currency supply, 69
M3, money supply growth, 68
macroeconomic policy
adjustment package, 53
autonomy, 2, 3, 81
expansionary policy, 3, 73, 74, 93
imbalance, 53
instability, 52
management, 22
open economy, 3
performance, 37, 107, 111
prudence, 112
stability, 1, 12, 105
stimulants, 78, 80
Mahathir Mohamad, Prime Minister, 10,
52, 63–6, 73, 75, 93

Prema-chandra Athukorala - 9781781010966
Downloaded from Elgar Online at 04/21/2019 03:08:44PM via free access
Malay
- education, 10
- Malay employment, 9–10
- Malay share ownership, 9–11
Malaysian Plans
- Fifth, 12
- Sixth, 12
Malaysian government securities see MGS
Malaysian Institute of Economic Research see MIER
managerial expertise in Malay community, 11
mandatory capital account convertibility, 1
manufacturing
- domestic, 76
- employment, 20
- expansion, 14, 16
- growth, 90
- protection, 12
- sector, 14, 67
- state ownership, 11
market capitalization, 32, 33, 41, 88
- economies, emerging, 38
- financial, 39, 75, 100
- intervention, 61
- property, crash, 68
market-oriented policy reforms, 12
merchandise account surplus, 18
- migrant workers, 20, 103
MGS, 79
MIER, 68, 88, 89, 105
minimum wage legislation, 20
mining, 91
ministry of finance, 66
Miyasawa Initiative, 79
monetary
- and fiscal expansion, 73, 88
- policy, 12, 51, 71, 80, 98, 99, 102, 103
- policy autonomy, 97–100
money market(s)
- domestic, 90, 100
- intervention, 12
- rates, 69
money supply growth (M3), 68
Morgan Stanley Capital International see MSCI
MSCL, 109
- multilateral financial organization, 92
- national account estimates, 67
- national companies (chaebols), 95
National Depletion Policy, 91
National Development Policy see NDP
National Economic Action Council see NEAC
National Economic Recovery Plan see NERP
national reserves, 43
- NDP, 11, 74
- NEAC, 66
- NEP, 9, 10, 12, 52, 61, 74, 75
- NER, 53–55
- NERP, 66
- New Economic Policy see NEP
- news media, 65–7, 74
- NFPEs, 17, 29
- NICs, 14, 16
- nominal
- appreciation, 54
- depreciation, 55
- nominal exchange rate see NER
- non-finance public enterprises see NFPEs
- non-performing
- credit ratio, 39
- loans see NPL
- non-profit public enterprises, 93
- non-resident(s) bank accounts, 38, 100
- non-traded
- activities, 33
- goods sector, 48, 103
- NPL, 66–8, 79, 100, 101, 111
offshore
- banks, 25, 26, 76
- companies, 25
- hedge funds, 76
- insurance entities, 25
- trading, 76
- open trade
- and investment policy, 76
- regime, 11
- operating expenditure, 12
- output contraction, 84
Index

'over leveraged' economies, 40
ownership, transferring, 10
payments, external, 21
per capita income, 8, 13, 14
Pengurusan Danaharta Nasional Berhad see Danaharta
Petronas, 79, 115
policy
paralysis, 65
slippage, 61–72
turnaround, 73–83
U-turn, 76–8, 97
political
risk premium, 66
stability, 105
population
Chinese, 8
increase, 8
Malay, 8
ratio to natural resources, 8
portfolio
capital, 24, 29, 43, 44, 61, 62, 105, 108, 111
equity, 38
investment/investors, 26, 29, 32, 38, 76–8, 81, 93, 107–9, 113
poverty
eradication, 9
line, 21
PPP, 14
price
trends, domestic, 104
wholesale, indices, 42
price-earning ratio see P/E
private
consumption, 89, 95
enterprises, 29
savings, 12
private sector
activities, 14
bank credit, 48
capital, 35
demand, 66
development, 12, 24
foreign currency borrowing, 112
initiatives, 14
investment, 80, 89
led recovery, 91
leverage, 40, 49
marginalization, 12
privately owned companies, 35
privatization, 11
procurement, government, 10
producer price index, 88
production
capacity, 103
domestic, 84
for export, 16
international, 8, 12, 105
manufacturing, 89, 95
primary, 14
profit
remittances, 76
repatriation, 78
projects, road and rail, 78
Promotion of Investment Act (1986), 11
property
market crash, 68
residential prices, 49
property sector, 35, 40, 48, 49
proxy measure, 41
public
borrowing, net, 92
consumption, 89
debt, 17, 18, 42, 92
enterprises, 27, 93
expenditure, 10, 89
investment, 89, 112
public sector
activities, 14
demand, 95
enterprises, 12
expansion, 9
investment projects, 65
savings, 17
surplus, 17
purchasing power parity see PPP
P/E, 62
race relations, 10
racial imbalance, 11, 21
recapitalization scheme, 80
recession-deflation spiral, 66
recovery, 84–95, 112
reflationary policy, 2, 78–80, 89
regional and ethnic economic imbalances, 9
regulatory framework, 1
Crisis and recovery in Malaysia

repatriation
of capital, 76
levy, 77
reserve(s)
adequacy, 38, 39, 44–7
cover, 46
external, 69
reserve-mobile capital ratio see R/MC
residential property prices, 49
riots, 1969, 9, 113
road and rail projects, 78
rural development schemes, 9
R/MC, 38, 46, 57
savings
institutional, 97
private, 12
public sector, 17
sectoral patterns, 89–91
sectors see under the individual sector names
Securities Act, 25
semiconductor cycle, 90
services
account, 92
sector, 14, 18, 89
SES, 25, 78
share
issues, new, 33, 35, 65
price stability, 67
purchases, 64
trading, 33, 35, 36, 48, 49, 112
share market
activities, 35
boom, 32–5, 49, 96
bubble, 35, 112
collapse/crash, 61–3, 67
dealing, 52
expansion, 35
intervention, 64
short selling ban, 65
short term
capital, 1, 22, 53, 69, 75, 76, 98
debt, 29, 42, 57, 58, 93
deposits, 26
investment flows, 98
liabilities, 38
skills development, 11
society reconstructing, 9
sociopolitical stability, 75
Soros, George, 63
speculative
attack(s), 37, 38, 40–44, 57, 58, 61, 63, 66, 73–5, 111, 112, 114
run, 39
trading, 76
speculator controls, 65
SR, 66, 79, 80
state of vulnerability, 37
state-owned enterprises, 11
statutory reserve requirement see SRR
’sterilization debt’, 105
sterilization operation, 105
stock
boom, real, 49
broking companies, 77
exchange, 78
market growth, 24
overhang, 89
Stock Exchange of Singapore see SES
structural adjustment reforms, 14
subsidized credit, 10
Survey of Retrenchments, 84
tariff protection, 10, 11, 12
tax, 12, 17
telecommunication project, 77
tertiary (service) sector, 14, 18
The Economist, 101
trade
account, 1
balance, external, 92
foreign, 12
internationalization, 8, 12
liberalization, 24
surplus, 18
traded goods industries, 103
unemployment, 9, 18, 20, 67, 68, 84
unions, 11
United Malay National Organization,
82, 127
US Treasury, 1
vulnerability indicators, 37–58
wage
growth, 103
index, real, 20
legislation, minimum, 20
Index

wealth contraction, 36
wholesale price indices, 42
workers, migrant, 20, 103
World Bank, 79, 102

world recession (mid 1980s), 10
Zainuddin, Daim, 66