

WE MUST NOT BE COMPLACENT

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Q: HOW bad, really, is the country's economic situation now?

A: It is relatively bad — relative to what we are used to before. We were used to growth of eight per cent. Now, it has been reduced to five per cent. Therefore in our estimation it is bad but in the eyes of the world, it is still extremely good because most countries in the world are experiencing negative growth or minimal growth.

Therefore, I would say that relatively we are not as well off now as before. That does not mean that we should not take things seriously. We must take things seriously because any tendency to be complacent may result in a further slide, which would be very difficult to reverse.

That is why we have made the country aware of the situation. We try to get them to understand what the Government is doing. Why do we have to talk about productivity? Why do we have to cut expenses, etc? This, we are doing publicly because there is nothing worse than people who think the world is wonderful and then suddenly they find that it is a deep hole and they just fall into it and then it is too late to do anything.

The Government has recently announced an across-the-board cutback of 12 per cent in its budget. How will this affect the Government's performance? Some say that positive effect will be greater efficiency. This assumption presumes that there has been wasteful spending, or at least wasteful allocation in the sense that the yearly budget for the various departments had been topped up from the previous spendings. Would there be a fresh look into this system.

In the past, one of the things that we discovered is that there is the tendency to over-budget. For example, in any one year you will find at least two sup-

plementary budgets and if you total up, the amount will become very big. By the end of the year when the accounting is done, we find that we had expanded less than what was originally budgetted in the first place. This shows that we have not been very good in terms of budgetting. We are now having another look to make sure that we budget for real expenses. So, although we talk about a cutback, it is not really a cutback but an attempt to budget for actual spending. I think it is a good exercise. It will make our staff more careful with the way they prepare the budget and the way they expand the budget.

Would that bring any negative effects on performance?

No, I don't think so. There may be some negative effects but they will be balanced by some positive effects. So, on the whole the administration should work very smoothly.

Within the context of the lower economic growth, should not some investments by Hicom (Heavy Industries Corporation of Malaysia Bhd) be cut in view of the declining world economy?

This is a normal tendency that during a bad period we tend to cut back. But before you cut back you have to think whether the cutback is going to affect the situation immediately or three years hence, four years or five.

We know that the world economy tends to fluctuate — there is a peak period, there is a dry period and peak again. This is the cycle that goes on all the time and all businessmen know. If you invest during a trough, it will come on stream during a peak and that is where you make the most amount of money. But if we start investing at a peak period, then we may end up coming on stream during a trough, then you are going to lose money. So

most of the investment by Hicom will take several years to mature — maybe three years, maybe four.

To panic while the situation is bad, such as to stop investing for the future, is the one thing that will result in a difficult recovery. So we have to remember that no recession can last forever. What we are thinking is that if it should pick up again in three to four years the investment that we are putting in, which is really low-cost investment because it is being done during a trough will produce the yield which we

going to stick to their guns. If the economists are right and they are wrong, then the recovery will be later. But if they are right and the economists are wrong, then the recovery will come faster.

Who are the two?
(Laughs) . . . Your guess is as good as mine.

When we planned for the Fourth Malaysia Plan and for this year's budget, the assumption made by our own planners were rather optimistic. The basis of price for natural rubber, the basis of price for tin and the basis of price for petrol

we reacted immediately. We cut down on production of rubber and we cut back even Ministers' pay by five per cent and all that. People have forgotten that, of course. Although we were expecting a longer period of recession, there was recovery and our projections were all wrong. We were wrong because we underestimated our revenues. Now we are wrong because we over-estimated. So that cancels out.

The rubber market has been very depressed and continues to be so despite purchases by Inro (International Natural Rubber Organisation). What measures are being thought by the Government to check this and to ease hardships faced by the smallholders?

Well, we are putting the burden on the big estates and the government-run estates in order to cut back production. The dealers are also being asked to hold bigger stocks. So we want to reduce production by 170,000 tons. That is one measure that we are taking.

The fact is that the demand for rubber is not there and we just can't sit down and cry. We have to do something about it ourselves. Other people will not respond to our plea because they have their own problems.

There is also talk about negative aspect of it. There are reports that the smallholders are neglecting their holdings. There are also those who are now planting cash crops. Later on, when we want them to cultivate their land, it may be difficult for them to go back to rubber.

That may be so. But I think, for the moment at least, what they are doing is quite good in terms of reducing rubber production. We cannot force them to produce rubber with the current low price because it doesn't give them a fair income. So I think if they switch to other crops, it's well and good. — Bernama.

QUOTE

There are people who think the world is wonderful and then suddenly find that it is a deep hole . . . they just fall into it.

expect during a peak. And if we try to invest during a peak, the cost will be high and the yield would come during a trough, then you are in trouble.

In the Government's estimation, how long will this recession last?

I'm not an economist. I'm only a doctor. And it's difficult for me to predict where better-known economists have failed. People have been talking about economic recovery since 1980. So we cannot say with any degree of certainty when the economic recovery will take place. But general opinion puts it at the end of the 1983 or the beginning of 1984. It used to be the end of 1983 but now they have added "or 1984" (laughter).

The crucial factor here is of course the world leadership. We have two leaders now who are extremely stubborn and who have very strong ideas about economic management — no matter what the economists tell them, they are

were well above the present level. Of course there is an element of chance in these things but we were way off. This is frightening.

We are not the only ones who are way off. The whole world is way off and there are people who are even more way off than we are. Our projection was not so bad but some people were totally wrong.

In the past two or three years, the Government budget had always been presented in a very buoyant manner. Now all of a sudden we are saying that we have to go for a balanced budget. This, in itself, may create a sentiment, the mode in economic thinking among the people. They might say: 'Ha . . . the Government is now worried.' This is worrying.

It is very difficult for us not to create an impression like that. But I think the people on the whole have a lot of faith in the record of this Government. For example in 1975, there was some sort of recession and

ON FOREIGN POLICY

WASHINGTON IS INSENSITIVE

ARE you satisfied after one year at the helm that Malaysia is on the right path of its foreign policy?

By and large the foreign policy that we have mapped out is good for us because it is a much more positive policy. Besides arranging priorities in terms of relationships with groups, we are now putting greater emphasis on bilateral ties. Hence our definite efforts to establish contacts with Mali, for example, and with South Pacific countries. We find that bilateral relations enable us to know people more intimately, know what their problems are and how we can work with them. Multi-lateral relations in the past have not been yielding that kind of intimacy and understanding. So, I think by and large, we have formulated a foreign policy that is bring-

ing some results.

Will it be right to say that under your leadership, foreign policy has changed in the sense that there is greater emphasis on real relationship . . . to trade, to investment to the real things rather than to conceptualised things like interest, sphere of influence etc?

We have not forgotten the need to subscribe to certain ideas, world ideals like the concept of neutrality and all that. But at the same time, we find that we have to get down to earth, so to speak and this has resulted in much more positive results.

How is our relationship with Britain now?

I think it is beginning to be proper as it should be between two sovereign nations.

It has been said that what you have in mind is very

competitive relationship. For example, if a product is good, even if it is from Britain, we will buy it. But there have been complaints from the British that officers of the Prime Minister's Department have rejected their applications without even considering them.

Oh on, that's not true. I know because I myself look at the list of things which we buy from Britain. We still buy a lot from Britain. If the products are cheap, of quality and according to our specifications, we will surely buy them.

How much change are you getting in our relations with the United States. I think our relationship with the US is the worst among so-called western countries. Have we tried to communicate effectively, directly and show them the consequences of their actions which

are actually contrary to what they expressed interests are?

I think individual Americans are very sympathetic. I have met a number of them. Some of them claim that they have direct access to the powers in Washington but I've yet to see any results and I have the feeling that there is a great deal of insensitivity or even a great deal of ignorance about Malaysia in Washington. I think that for some officials, maybe, Malaysia doesn't exist at all. That is the feeling that I get. I may be wrong.

You have said that Malaysia will not provide weapons to any of the Kampuchean factions. But statements have also been made again and again on behalf of Malaysia urging that non-communist factions be given arms. Isn't there a contra-

dition here? Can you tell us what is really our policy?

We will not give arms but we will not stand in the way of other people who want to give arms. It's their business.

Will you be attending the non-aligned summit?

We have not decided yet. What do you think of the non-aligned movement now?

The non-aligned movement is third in the list of priorities in our international relations. We regard the movement as important in world politics and we will continue to be involved in it, for it has certain elements which may be useful to us.

In times of need, for example, we will still require the support of the non-aligned countries.
- Bernama.