

'NATION LEANER BUT STRONGER'

Strategies

paying off

BT 18 NOV 1987

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LOCAL businessmen have been urged to go back to doing profitable business by exploiting the abundant resources the country has been blessed with.

Prime Minister Datuk Seri Dr Mahathir, who made this call yesterday advised them against using the stock market to raise capital for their enterprises as the consequences can be disastrous to their businesses.

Opening the 9th convention of the Malaysian Economic Association in Kuala Lumpur yesterday, Datuk Seri Dr Mahathir said businessmen have the tendency to turn to financial markets with its promise of quick and substantial returns.

"However, a financial market is only real and viable if it is backed by sound economic activity with growth assets and dividends. Capital gains without real economic growth is like a growing skyscraper without foundation. Sooner or later it is going to crash down.

"It has crashed on a worldwide unprecedented scale. Instead of waiting for the market to recover, businessmen should go back to doing business, to producing goods and services and marketing them at a profit," he said.

Datuk Seri Dr Mahathir said if businessmen must speculate, they can do so on a reasonable scale as there must

be a relationship between prices and the performance of the enterprises.

He told reporters later that those who invest in the stock market should have learnt from the two previous crashes, one during the Pan-Electric debacle and another very recently. Thus, they should not be blaming the Government or other parties for getting their fingers burnt.

In his speech, the Prime Minister said the take-off to sustained growth in any society requires the existence, initiative and reasonable skill of some group which is prepared to take risks and venture into new enterprises.

"Indeed, the real remedy lies deep in human attitudes and behaviour," he said, adding that the present situation calls for "daring, innovative and imaginative entrepreneurs."

Datuk Seri Dr Mahathir said the necessary adjustments have been undertaken and as a result, the nation has emerged leaner but stronger.

He said in a number of areas, development in the past six months has been very encouraging which indicates that the economic strategies are beginning to pay off in terms of the more basic goals of growth and stability. These developments include:

THE country's balance of payments has turned the vital corner de-

spite sluggish real growth. This year's current surplus is significant, and another surplus is expected in 1988.

THIS year's budget deficit is smaller and next year's should be much smaller with the Government determined to make real progress.

THERE has been little inflation.

STGNS are getting clearer that private domestic consumption is rising. The recent fall in stock market values will make consumption spending more cautious, but export growth remains firm.

MANUFACTURING activity has picked up decisively and the prospects for further business investment, especially foreign direct investment, are improving.

THE ringgit continues to remain stable in the face of low interest rates.

Datuk Seri Dr Mahathir said if the economy is allowed to grow on its own momentum over the medium term, depending mainly on fortunes of international trading environment, real gross domestic product is unlikely to exceed 3 per cent a year by 1990.

"However, if the private sector puts its acts together to take full advantage of the Government's incentives and its privatization programme, real GDP growth could realistically gain by an additional 1 to 2 per cent," he said.