

28 AUG 1998

LEAD Mahathir-Economy

ECONOMIC CONTRACTION CAN BE REDUCED, SAYS DR M

KUCHING, Aug 28 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today the sharp economic contraction in the second quarter of this year can be reduced in the third and last quarters.

He said the people must understand what actually caused the shrinkage in economic growth.

This stunted growth stemmed from the economic downturn in other countries such as Japan which adversely affected Malaysian exports, he told a press conference prior his return to Kuala Lumpur.

"This consequently affected our manufacturing industries," said the Prime Minister.

Dr Mahathir, who was earlier scheduled to leave for the federal capital this afternoon, left earlier as a National Economic Action Council (NEAC) meeting has been scheduled for 3.15 p.m.

Bank Negara yesterday announced that Malaysia's Gross Domestic Product (GDP) growth plunged to -6.8 per cent during the second quarter of this year after a contraction of 2.8 per cent during the Jan-March period.

The prime minister said Japan was now experiencing a recession and was unable to buy Malaysia's primary products like wood products.

On top of that, Malaysia had to compete with other countries in the region like Indonesia which could sell its goods at a lower price because the value of its rupiah had dropped even more than that of the ringgit.

The prime minister said that was why he was trying to prepare the minds of the people so that whatever ordinary or unusual conditions the government introduced would get their support, otherwise efforts to revive the economy would not be successful.

"On my tour, I tried to prepare the minds of the people on how they can handle these unusual things. I have a feeling that unusual things require unusual solutions and in Malaysia, we have done unusual solutions many times," he said.

On suggestions by an American economics expert Paul Krugman that affected countries should introduce forex exchange controls, he said he agreed with Krugman but it was not an easy thing to do because speculators had a lot of funds in their hands.

"We asked the IMF (International Monetary Fund) to help, we spoke to the United States during the Apec (Asia Pacific Economic Cooperation meeting).

"I explained that in the end it is going to affect America itself. They said there's nothing they can do. In fact, I know they can, because they have arrested a few people because their activities affected their economy.

Today it is not hurting their economy yet, I hope and pray that they will also feel the kind of problems that we feel. At that stage, I'm quite sure the government will find that they have the power to stop them. Today, they are making a lot of profits, so enjoy it," he said.

When asked if there were just too many speculators around, Dr Mahathir said there were, at most, only 1,000 of them.

"But for the sake of these 1,000 speculators who are making billions for themselves, tens of millions of workers in these countries have been deprived of jobs and the people are suffering.

"They legitimately steal the wealth from countries in the region through the system which they have developed but the fact is they are stealing from the poor," he said.

For these speculators, free trade meant not restricting them from making as much money as possible, he said.

"What's the point of (currency speculator George) Soros making billions until he is able to buy a 1 million-hectare farm in Argentina, this I know personally, when the money comes from workers who have lost their jobs in Indonesia, Malaysia, Thailand and South Korea.

"This is where the money comes from and the world defends their rights to take money from these poor people so that they can become ultra-rich," he said.

Dr Mahathir said no matter how much he explained this, leaders of the developed nations refused to accept it and kept blaming the affected governments for not being transparent and practising cronyism as if they did not know how to run their countries.

-- BERNAMA

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