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PM: Be reasonable over expectation of economic growth

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HINTING that the projected growth of the economy could go down further, Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysians must be reasonable in their expectations.

He said it was inevitable that the economic growth could fall further as the currency and stock market crises started to affect corporate performance.

The Malaysian companies might not be bankrupt, said the Prime Minister, but they were not doing well and their profitability had declined.

He cited the case of Sime Darby Berhad which had reversed from being one of the most profitable companies to one that suffered a hefty loss.

Replying to a question on whether the Government would be lowering the growth projection further, the Prime Minister said with poor corporate performance, Government's revenue would fall.

Lower revenue meant that Government's ability to spend money to promote economic growth was severely curtailed.

Dr Mahathir was speaking to Malaysian journalists at a Press conference held at his hotel here.

The Prime Minister's warning came ahead of Tuesday's parliamentary speech by Deputy Prime Minister Datuk Seri Anwar Ibrahim. Anwar is expected to revise downward the growth projection as well as presenting additional measures to revive the economy.

Dr Mahathir said although the Government had announced the reduction in public sector expenditure by 20 per cent, it could not be sure if the measure is sufficient.

He said the additional measures to be introduced might include the reduction in the use of foreign currencies in trading activities and to reduce imports from countries that required payments in foreign currencies, especially the US dollar.

Dr Mahathir said many of Malaysia's regional trading partners no longer had sufficient foreign exchange. To overcome the problem, more trade would have to be conducted using the Bilateral Payment Arrangement (BPA).

For purchases outside Asean, said the Prime Minister, Malaysia would insist on a direct exchange between the ringgit and the currency of the exporting country.

Where this was not possible, Malaysia would try to use currencies other than the US dollar and would not dismiss the use of some forms of barter arrangement.

However, Dr Mahathir reiterated that the long term solution rested with the willingness of the international community to come together to regulate currency trading.

Unless currency trading was made more transparent, said the Prime Minister, the economy of the developing nations would continue to be held to ransom by currency traders and speculators.

Asked if he thought the international community was serious about regulating currency trading, Dr Mahathir said he remained doubtful of the International Monetary Fund's resolve on the subject.

"We have to do things on our own. We have to look for solutions ourselves."

He said Malaysia had raised the matter with the IMF several times and would watch closely the outcome of next month's IMF meeting on the subject.

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