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Positive growth likely in April-June: PM

PRIME MINISTER Datuk Seri Dr Mahathir Mohamad says he is confident that the Malaysian economy will post a positive growth rate in the second quarter of this year.

"Compared to the same period last year, we are likely to show positive growth," he told reporters after launching Permodalan Nasional Bhd's investment week and the second Amanah Saham Nasional in Kuala Lumpur yesterday.

Dr Mahathir was asked whether Malaysia has pulled out of recession in view of the firm signs of an economic rebound of late.

"We will have to see ... the first quarter figures showed that our economy contracted by about 1.6 per cent ... that is in comparison with the same period last year.

"In the first three months of 1998, there was still good growth. It was only towards the end of the year that the economy was bad," he said, adding that the Government is maintaining its growth forecast for the year at 1 per cent.

Bername reports: During a brief interview with business journalist Martin Soong aired over CNBC yesterday, the Prime Minister had said he feels vindicated now that the much-criticised capital controls are showing positive results in bringing about financial stability and providing breathing room for Malaysia to haul itself out of recession.

"It is not possible not to feel vindicated, when your arguments which were contrary to the general stand seem to have worked and everybody has admitted that it has worked," he said

Dr Mahathir was responding to suggestions that there was a small and growing consensus that Malaysia's capital controls introduced last September were working as can be seen from the firm signs of economic recovery.

However, he said that "unless the international financial regime was amended in order to prevent the kind of massive raids on developing countries, we will not be able to lift the controls over our currency".

"I think the international financial system must be changed because we are not the only ones who are affected," he said when asked whether the controls were temporary measures aimed at achieving financial stability.

"We are able to cope with it, but a lot of countries have to go through this kind of raids over and over again. Some countries have been attacked two or three times, and that is not good for the world's economy," Dr Mahathir said.

On whether there could be a situation where he might be willing to forgo calls for a new international financial architecture in exchange for better corporate governance which the West seemed to be driving at, he said: "It's not the corporate governance which is the problem. These countries had been governed by the same government (with) the same policies all these years and they have developed very well.

"There are abuses, this of course I don't deny, but it has not prevented them from developing very, very fast. So much so that they are known as the Asian Tigers," he said.

"What is needed really is the change in the so-called international financial architecture. There is no trade-off, it has to be done," Dr Mahathir said.

Dr Mahathir has consistently called for the destructive and speculative

operations of hedge funds to be curbed.

As to how confident he is that a new financial architecture incorporating controls over currency speculators would be introduced, he said:

"I think they will learn their lessons. They learned their lesson when the Long-Term Credit Management (LTCM) hedge fund was hammered and Russia had its (economic) troubles."

LTCM, the New York-based hedge fund, collapsed after suffering massive losses in high-risk investments, forcing the Federal Reserve to launch a bail-out to the tune of US\$3.5 billion (US\$1 = RM3.80) by 14 financial institutions.

"They will learn their lesson that although they are rich, they cannot sell things to poor people because they have made the rest of the world poor," said Dr Mahathir in obvious reference to once prosperous developing East Asian economies devastated by unscrupulous currency speculators and hedge funds.

On whether First Finance Minister Tun Daim Zainuddin could once again rescue Malaysia's economy after having done so during the recession in the mid-1980's, he said: "I am really confident (of Daim), so far he has done very well and at least, part of the policies has been formulated together with him."

Asked if Malaysia could get out of the recession in the second quarter of this year, Dr Mahathir said: "Lots of people think we are going to achieve higher growth than we have projected."

"We have projected a 1 per cent growth for this year but a lot of the others have projected growth of up to 3 per cent and they may be right.

"Of course, those figures are good indeed and we think that achieving 1 per cent growth is not a problem," he said.

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