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MAHATHIR-ECONOMY

MALAYSIA BRACING FOR POSSIBLE U.S. ECONOMIC SLOWDOWN, SAYS PM

By: E. Sivabalan

PUTRAJAYA, Dec 26 (Bernama) -- Malaysia is studying ways to counter the effects from a possible slowdown in the US economy, including increasing trade with non-traditional trading partners, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

"We will of course be very much affected because they (the US) are our major trading partner," he told Bernama in an exclusive interview at the Prime Minister's Department here.

Dr Mahathir's remarks came in the face of recent warnings from US President-elect George W. Bush's team to prepare for a sharp downturn, possibly even a recession.

Last Sunday, US Treasury Secretary Lawrence Summers confirmed that a slowdown in the US economy was unavoidable but he expected steady economic growth next year.

Summers' remarks on the US economy were further reinforced by the US Federal Reserve which said last Tuesday that it was now more worried about economic weakness in the US rather than inflation.

Dr Mahathir said if indeed the US economy was experiencing a slowdown, Malaysia would have to increase trade and also barter with its non-traditional trading partners.

"We are studying the scenario in order to find ways to counter the effect on us," the prime minister said.

When asked about Malaysia's economic growth for this year, Dr Mahathir took a conservative stance and said the Gross Domestic Product (GDP) would exceed earlier projections.

"We are going to perform much more than six percent this year," he said. However, various other estimates have put this year's GDP growth at around 7.5 percent.

On next year's GDP projections, the prime minister said it would be "about 5.8 percent, less than six percent." The Malaysian economy grew by 5.8 percent in 1999 after a sharp contraction of 7.5 percent in 1998.

Asked on the current sluggish performance of the Kuala Lumpur Stock Exchange and the lack of interest among foreign funds to invest in the local bourse, Dr Mahathir said: "The stock market, in the first place, is not the best index of a country's performance."

He said short term capital investors were only interested in quick capital gains and not about the good performance of the companies that they invested in.

"So, if they come in heavily on any counter, the shares will go up and when the shares go up, they can always dispose of the shares, take out their money and go to some other country.

"And this is happening even in America (when) companies suddenly get their shares pushed up and (the shares are) then dumped and they (companies) get into trouble.

"So, we cannot depend upon foreign funds because their interest is different from ours. Our people want to invest in companies which perform and give good returns. They are not just going in to push up shares and sell shares," said Dr Mahathir.

When asked about the property sector, the prime minister said it was not going to see much improvement next year because developers were still building despite the recent downturn.

"You see a lot of construction work going on and as a result, there are

a lot of empty buildings. But still they (developers) keep on building.

"Maybe they know something which we don't know, but sometimes they do not do a proper study of the demand. As a result, they lose out," he said.

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