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BUDGET-MAHATHIR

M'SIA CAN RETURN TO PRE-CRISIS GROWTH RATES OF 8 PCT, SAYS MAHATHIR

By: Mohd Arshi Daud and Muammar Kamaruddin

KUALA LUMPUR, Feb 25 (Bernama) -- Malaysia can return to the pre-crisis growth rates averaging 8.0 percent judging from the encouraging 5.4 percent gross domestic product (GDP) chalked up in 1999, Prime Minister Datuk Seri Dr Mahathir Mohamed, said today.

"The economy is on track to return to its pre-crisis levels," he told a press conference after the re-tabling of the 2000 Budget by Finance Minister Tun Daim at the Dewan Rakyat here.

Dr Mahathir said he based his optimism on the significant recovery posted by the Malaysian economy last year, which expanded by 5.4 although it was forecast to grow by 4.3 percent when Budget 2000 was first tabled just last October.

"It is possible because even when we predicted one percent, we revised it last year to 4.3 percent but actually achieved 5.4 percent. It is a very good growth compared to other countries," he said.

Asked whether the 5.8 percent projection for this year is rather a conservative figure, he said: "Maybe conservative, but one has to remember that this year's growth will be based on 1999 while last year's GDP was based on 1998 which recorded minus growth."

In 1998, the economy contracted by 7.5 percent due largely to tight monetary policies adopted to deal with the recession, but the government thereafter took on expansionist measures to stimulate business activity.

The latter stance worked superbly and the economy quickly returned to the plus territory with a GDP of 4.1 percent in the second quarter of last year and rising to 8.2 percent in the third quarter.

Asked on the ringgit's RM3.80 peg per US dollar, Dr Mahathir said the government does not see the need to revise it unless Malaysia was made less competitive relative to its neighbour.

"We don't see any reason (to change the peg). We may have to reconsider but then (only) if we are under heavy pressure, for instance if Malaysia was made less competitive to Thailand if the Baht depreciates by 50 percent," he said.

As to the possibility of the the peg continuing to stay at RM3.80 this year, he said: "There's a likelihood."

To a question on the unresolved issue of Central Limit Order Book (CLOB) International shares, Dr Mahathir said that shareholders should be reasonable and accept offers to sell their shares at a discount.

The three offerers would keep the shares and could not sell them immediately, causing them to take risks of price depreciation, he said.

The offers to buy the shares at a discount from current prices were made by Effective Capital Sdn Bhd, Bintang Melewar Sdn Bhd and United Engineers (Malaysia) Bhd.

Dr Mahathir stressed that if not for the government's move to freeze the CLOB shares, the value of shares on the Kuala Lumpur Stock Exchange would have plunged below 280 points as measured by the composite index.

The Prime Minister described the offers as a good deal. "The principle is that, you can't expect to get everything for yourself. You must accept a discount."

As such, Dr Mahathir advised CLOB shareholders to be reasonable and consider the three offers.

He also said that Malaysia is committed to ensure that the CLOB issue

is resolved.

Turning to inflation, he said the government did not foresee any substantial increase due to the existing price control mechanism over essential goods.

Malaysia's inflation rate declined to 2.8 percent in 1999 from 5.3 percent a year before.

"If there is inflation, it could not be very high," he said, explaining that under the price control mechanism, any price increase on essential goods must be justified.

"So it is unlikely inflation will go up," said Dr Mahathir.

The Prime Minister was also asked on the 10-65 percent rise in scholarships and loans for students sponsored by the Public Services Department and Majlis Amanah Rakyat (MARA) in 15 countries effective Jan 1, 2000.

He said the increase was to help the students meet higher expenses caused by the depreciation of the ringgit and increasing cost of education.

Asked if the increase in scholarships and loans would please the Malays, he said it was however too late as PAS has succeeded in teaching the younger generation never to be grateful.

"Whatever you get is your right, don't say thank you. So that is the new culture," he added.--BERNAMA

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