

25 FEB 2000

Budget-Mahathir

M'SIA CAN RETURN TO PRE-CRISIS 8 PER CENT GROWTH, SAYS PM

By: Mohamed Arshi Daud and Muammar Kamaruddin

KUALA LUMPUR, Feb 25 (Bernama) -- Malaysia can return to the pre-crisis growth rates averaging eight per cent judging from the encouraging 5.4 per cent Gross Domestic Product (GDP) chalked up in 1999, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

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

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

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

Asked whether the 5.8 per cent projection for this year was a conservative figure, the prime minister 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 per cent due largely to tight monetary policies adopted to deal with the recession.

But thereafter the government 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 per cent in the second quarter of last year and rising to 8.2 per cent in the third quarter.

Asked on the need for revising the ringgit's RM3.80 peg per US dollar, Dr Mahathir said the government did not see such need 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 is made less competitive to Thailand if the Baht depreciates by 50 per cent," he said.

On the possibility of the peg remaining at RM3.80 this year, he said: "There's a likelihood."

Asked about 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.

Effective Capital Sdn Bhd, Bintang Melewar Sdn Bhd and United Engineers (Malaysia) Bhd have offered to buy the shares at a discount from current prices.

Dr Mahathir said 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.

Describing the offers as a good deal, the prime minister said: "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 and he also gave the assurance that Malaysia was committed to ensuring that the CLOB issue would be 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 per cent in 1999 from 5.3 per cent 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.

He was also asked on the 10-65 per cent rise in scholarship and loan quantum for Public Services Department and Mara-sponsored students 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 higher scholarship and loan quantum 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

AD/MK MFJ/MR RYN