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### Domestic-led boost to economy

reports on "Dewan Negara" by M.K. Megan  
MALAYSIA has to adopt a domestic-led growth strategy to boost the economy since it cannot rely on external sectors due to the uncertainty surrounding the global economy, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

He said due to the slowdown in the US and Japanese economies, compounded by the Sept 11 terrorist attacks in New York and Washington, the overall global economy has weakened.

"To minimise a negative effect on the Malaysian economy, the Government had acted fast by introducing an additional economic stimulus package worth RM4.3 billion on top of the RM3 billion allocation announced in March this year," he said while tabling the 2001 Budget at the Dewan Negara yesterday.

Dr Mahathir, who is also the Finance Minister, said the source of growth would now have to be diversified with support from fiscal stimulus and accommodative financial policies.

He said the Government had been implementing fiscal stimulus strategy since 1998 and with prudent financial management it was able to continue with the strategy.

"A high savings at 33.6 per cent of the Gross Domestic Product has allowed the Government to utilise its internal resources to subsidise a big portion of its deficit."

He said the overall fiscal deficit this year was still manageable at 6.5 per cent of the GDP while foreign debt was low at 46.9 per cent of the GDP. The country's debt service ratio to export was 5.8.

"The country's strong economic fundamentals too has provided the Government with the flexibility to carry out the fiscal stimulus policies."

Among the strong fundamentals, Dr Mahathir outlined, were a strong foreign reserve at RM116.5 billion as at November this year which can sustain five months of imports. The reserve was also six times more than the short-term foreign debts.

"For the first time since the first quarter of 2000, foreign investment touched RM3.8 billion in the third quarter this year. Inflation was still low at 1.4 per cent from January to October."

The accommodative financial policy would include increasing investors' sentiments and building consumers' confidence.

"Borrowings are expected to increase with interest rates being reduced to one of the lowest at 6.4 per cent by the commercial banks and 7.45 per cent by the finance companies.

"Since the macro economic position was still strong, the Government's efforts to stimulate the economy was a wise move. Although the move was criticised by international financial institutions, the same steps were employed by some developed nations."

Dr Mahathir said although there was a negative economic growth in the third quarter, the Government was confident that with the implementation of the fiscal stimulus package there would be an overall positive growth this year.

The growth is expected to be between four and five per cent next year.

He said the income per capita was also expected to increase to RM13,962 next year, more than the RM12,314 experienced before the regional financial crisis.

While implementing these measures, Dr Mahathir said the Government was also considerate over the plight of various parties. For instance, he added, the Government had to revert the 10 sen a litre increase in diesel prices after taking into consideration appeals from fishermen and those involved in the transport industries.

"With this, the Government has to subsidise an extra RM471 million a year bringing the total diesel subsidy to RM1.1 billion a year."

He hoped people would not take advantage of the situation and raise prices of goods and services.

"In a week's time the Muslims will be celebrating Aidil Fitri after fasting for a month. We have to thank God because we have a peaceful country to celebrate our festivals unlike in some other Islamic countries where there is war and violence.

"In order to continue enjoying this situation in the country, the Government would monitor the activities of extremists who want to see the country go into turmoil.

"Don't let those with narrow vision disrupt our unity and stability. We do not want to see Malaysia to be a second Afghanistan," he said.

He urged those who would be celebrating Christmas, New Year and the Chinese New Year to spend and be happy which would in turn boost economic growth.

"Let's beautify our towns, villages and houses and prove to the world that Malaysia is a peaceful country. Let us be respected by the international community," he said.

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