

23 APR 2001

MAHATHIR-CRISIS

FINANCIAL CRISIS TEACHES M'SIANS NOT BE COMPLACENT

KUALA LUMPUR, April 23 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that the effect of the financial crisis has proven that the people must not be complacent in facing the challenges of globalisation.

"Despite having made preparations, we were still directly affected by the financial crisis which resulted in the country's economy slowing down.

"We were again reminded that the development path is never smooth but has its ups and downs, and we cannot afford to be complacent," he said, when tabling the Eighth Malaysia Plan (8MP) at the Dewan Rakyat here today.

Dr Mahathir said recovery measures introduced in 1998 helped to stimulate consumption, while containing inflationary measures.

The unemployment rate remained low at about 3.0 percent and the Consumer Price Index declined to 1.6 percent in 2000.

He said that the recovery measures had created a stable environment for the banking and corporate sectors to implement their restructuring and consolidation programmes.

"The various agencies created to manage non-performing loans (NPLs), re-capitalise banks and restructure corporate debts, have succeeded in strengthening the sectors and helped them to focus on more productive economic activities," he added.

Dr Mahathir said these achievements were the result of the government's decision not to borrow from the International Monetary Fund (IMF), which would have placed the country at the mercy of that agency.

"On the other hand, we have created our own approach by preventing the currency speculators from trading the ringgit and controlling speculative attacks on the Kuala Lumpur Stock Exchange.

"In this way, we were not burdened with debts from the IMF unlike other countries.

"Although we managed to recover from the crisis in our own way, the government had to implement an expansionary fiscal policy to stimulate the recovery in the economy by increasing and accelerating government expenditure in infrastructure projects, and also to grant bonus to government employees to increase retail trade."

The Prime Minister said these actions succeeded in alleviating the impact of the slowdown on poverty, and the restructuring of the society.

Reviewing the Seventh Malaysia Plan from 1996 to 2000, Dr Mahathir said the Plan, while re-emphasising on the concept of a balanced development, also introduced the strategy of productivity-driven growth of the economy to enhance the resilience of the nation in facing challenges of the 21st century.

"Overall, the performance of the economy was commendable during the Seventh Plan period. The real Gross Domestic Product (GDP) recorded an average growth of 4.7 percent per annum, surpassing the revised target of 3.0 percent," he said.

-- BERNAMA

MAD MFJ FR