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Mahathir-Economy

MALAYSIA MAY RESORT TO FISCAL PUMP-PRIMING, SAYS DR MAHATHIR

KUALA LUMPUR, Sept 14 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad does not rule out Malaysia again resorting to pump-priming measures to stimulate the economy.

He said Malaysia would be affected by the further weakening of the United States' economy following the terrorist attacks in the US.

"We are seriously looking into doing this," he said after signing the condolence book at the US embassy here today following the attacks on the World Trade Centre (WTC) in New York and the Pentagon in Washington Tuesday.

The prime minister was asked whether Malaysia would resort to fiscal pump-priming to stimulate the economy.

Dr Mahathir announced a RM3 billion fiscal stimulus package in March as an additional allocation to the RM28 billion 2001 budget in efforts to face the negative effects of the US economy.

Under the package, plans included the development of infrastructure projects such as schools, community colleges and new universities, but officials say it was still too early to see the benefits of the stimulus package.

The death toll in the terrorist attacks is expected to be in the thousands.

Some Malaysians working at the 110-storey twin towers of the WTC have so far been unaccounted for.

Dr Mahathir said the Malaysian economy was "closely-pegged" with that of the US and the "incident will divert all attention away from pure trade and things like that to matters of security."

He said "the US economy will suffer and we will also be affected."

Malaysia's exports to the US increased by 13 per cent to RM11.5 billion for the first two months of 2001.

In 2000, Malaysia-US total trade was estimated at RM120 billion.

The US accounted for 18.7 per cent of Malaysia's global trade, of which 37.7 per cent of the total constituted rubber products, 31.6 per cent textiles and clothing, 29.3 per cent optical and scientific products, 26.8 per cent electrical and electronics products, 19 per cent wood products and 10.5 per cent crude rubber exports.

Meanwhile, National Economic Action Council (NEAC) executive director Datuk Mustapa Mohamed said in Pasir Puteh yesterday that Malaysia had formed a special team to monitor the effects of the terrorist attacks on the US to ensure that they do not adversely affect Malaysia's economy.

He also said the special team would hold daily meetings with public and private sector representatives including the American Chamber of Commerce and Industry in Malaysia and other similar groups.

Nevertheless, Mustapa stressed that Malaysia was not badly affected by the development in the US because the country's financial system was operating smoothly especially with the pegging of the exchange rate at RM3.80 to the US dollar helping greatly to ease the severity of the economic downturn.

-- BERNAMA

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