

23 JUL 2001

Mahathir-Economy

MALAYSIA'S ECONOMY IS HEALTHY AND RESILIENT, SAYS PM

KUALA LUMPUR, July 23 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that Malaysia's economy is now healthier and more resilient than during the financial crisis in 1997.

He told the Dewan Rakyat here that the national economy was based on firm fundamentals as shown, for example, by the fact that the external reserves remained high as at the end of June, being able to pay for retained imports for 3.9 months.

Malaysia also has a low level of short-term external debt amounting to only 10.6 per cent of total debts and 17.7 per cent of the national reserves, he said in reply to Datuk Mustafa Ali (PAS-Dungun) during question time.

Dr Mahathir, who is Finance Minister, also said that the banking system was also strong, with the risk weighted capital ratio (RWCR) standing at 12.1 per cent and non-performing loans (NPLs) at 7.4 per cent in April this year.

"The country's economic slowdown at present is different from the economic recession following the financial crisis of 1997.

"The 1997 financial crisis affected certain countries only and was caused by currency speculators who took advantage of weaknesses in the international financial system," he said.

The prime minister said that the slowdown in the world economy now was more cyclical and experienced by most countries with high dependence on exports of electronic products.

"As for those countries which are entirely dependent on the electronics industry and the export of electronic products, a technical recession has already occurred," he said.

Dr Mahathir said that Malaysian exports especially of electrical and electronic products had already declined following the slowdown of the US economy and the uncertain recovery of Japan's economy.

"Malaysia's exports to the US amount to 20 per cent of its total exports and 60 per cent of the exports are electrical and electronic products," he said.

As a result of this development, he said, Malaysia's total exports rose by only 0.2 per cent during the first five months of the year, against 19.3 per cent during the corresponding period last year.

Dr Mahathir said in fact the export of electrical and electronic products declined by 1.9 per cent compared with a growth of 20.7 per cent during the corresponding period last year.

"As a result of the slowdown of the US economy, the gross domestic product (GDP) during the first quarter of 2001 declined to 3.2 per cent compared with a growth of 11.7 per cent during the corresponding quarter of 2000," he said.

The prime minister said to reduce the negative impact of the slowdown in the US economy, the government recently introduced a fiscal stimulus package worth RM3 billion in addition to the 2001 Budget allocation of RM28 billion.

He said that financial institutions, meanwhile, had set an 8 per cent loans growth target to accommodate the country's financial policy needs.

Up to now, loans other than private debt securities (PDS) had reached 5.5 per cent a year and additional allocations had been made for the Food Fund (RM250 million), the New Entrepreneurs Fund (RM250 million) and the

Small and Medium Scale Industries Fund (RM200 million), he said.

Steps to promote the Kuala Lumpur International Airport (KLIA) as a regional hub and to ensure the full utilisation of local ports had been taken to foster the growth of the services sector, he said.

Dr Mahathir said that steps to boost the economy had succeeded in raising the growth in domestic consumer demand during the first quarter of 2001.

"During that quarter, domestic consumption rose by 6.8 per cent with public spending rising by 8.7 per cent and private demand by 6.5 per cent. Investments rose by 7.4 per cent," he said.

The prime minister further responded to a supplementary question by Mustafa who proposed that the government accepts the teachings of Imam Ghazali (an Islamic leader) to the effect that in developing a country's economy, two important principles must exist. They are just leaders and honest entrepreneurs, as well as the guarantee that there would be no bailouts of certain individuals.

Dr Mahathir said: "What will happen to the nation's economy if we allow large companies to go bankrupt? Will the results be better than what we have achieved? What we did was not to bail out cronies.

"Actually, helping out cronies is the awarding of logging areas in Kelantan and Terengganu to certain people so that they could become rich," he said.

Dr Mahathir asked what leadership could be considered just if logging areas were given to friends in the party and what entrepreneurs could be considered honest if they obtained logging areas because the political party they belonged to managed to gain control of certain state governments.

"Thus, before they do anything, they must ponder a little over what Imam Ghazali said because, before we criticise others, it is better that we ask ourselves whether we're right or wrong. It has been stated in the Quran that oftentimes those we criticise are a lot better than us," he said.

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