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MAHATHIR-ECONOMY

M'SIA'S ECONOMY RESILIENT, IN GOOD HEALTH - PM

KUALA LUMPUR, July 23 (Bernama) -- The Prime Minister, Datuk Seri Dr Mahathir Mohamad said the economy of Malaysia remained healthy and resilient compared to the situation at the start of the financial crisis in 1997.

According to the PM, 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 percent of total debts and 17.7 percent of the national reserves, he said in reply to a question posed by Datuk Mustafa Ali (PAS-Dungun) at the Dewan Rakyat here today. Dr Mahathir also said the banking system was also strong, with the "risk weighted capital ratio" (RWCR) standing at 12.1 percent and non-performing loans (NPL) at 7.4 percent in April this year.

"The weakness in the country at present is different from the economic downturn following the financial crisis of 1997," said Dr Mahathir, who is also Finance Minister.

"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 stressed.

The PM said the weakness in the world economy was more cyclical and experienced by most countries with a high dependence on the export of electronic products.

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

According to the PM, Malaysian exports especially of electrical and electronic products had already fallen in line with the softening of the US economy and the uncertain recovery of Japan's economy.

"Malaysia's direct exports to the US amounts to 20 percent of its annual merchandise exports and 60 percent of these direct exports take the form of electrical and electronic products," Dr Mahathir said.

As a result of the development, Malaysia's total exports rose by only 0.2 percent during the first five months of this year, against the corresponding year-ago expansion of 19.3 percent.

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 added 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 percent with public spending rising by 8.7 percent and private demand by 6.5 percent. Investments rose by 7.4 percent," he said.

The PM further responded to a supplementary question by Mustafa who proposed that the government should accept the suggestion of Imam Ghazali (an Islamic leader) to the effect that in developing a country's economy, two important principles must exist: just leaders and honest entrepreneurs, as well as the guarantee that there would be no bail-outs of certain individuals.

Dr Mahathir (in replying) said: "What happens to the economy if we

allowed large companies to go bankrupt? What better evidence is there that the steps we have taken is to bail out cronies?"

"What really happened in connection with efforts to help cronies is the awarding of logging areas in Kelantan and Terengganu to certain people so that they (these people) could become rich," he added.

Dr Mahathir asked what leadership can be considered just if logging areas are given to friends in the party and what entrepreneurs can be considered honest if they obtain 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 what is true and what is not. -- BERNAMA

MK MR SEL