

DATUK Seri Dr Mahathir Mohamad said the private sector must resume its role as the main driver of economic growth. The government, he said, was confident that the private sector could increase investments to levels achieved from 1988 to 1997, with an average annual growth of 21%.

He said the response of domestic investors had been lukewarm despite the many incentives provided by the government. The sector, he said, must be aggressive and venture into new frontiers. It must not take the easy route to reap immediate gains, he added.

Dr Mahathir said economic growth had been overly dependent on external sector developments, foreign direct investment and international trade for decades.

"Growth must be domestic-driven and generated by our own resources as well as greater domestic investment activities," he said, adding that such domestic-driven growth demanded a rapid transformation of the economy that would ensure diversified sources of growth.

Dr Mahathir said Malaysia should emulate China and Korea in formulating industrial sec-

# PM: Private sector to be main driver of economic growth

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tor strategies. China has been successfully producing high quality consumer products at competitive prices and has gained a footing in the international market.

Korea, which has established brand names such as Kia in the automotive industry and Samsung in electronics, has adopted a strategy to import foreign technology, which it has further developed to become a successful producer. The country, he said, had also successfully developed small and medium-scale industries to support the industrial sector using high technology.

Dr Mahathir said the government cannot continuously implement expansionary fiscal

policies as it is concerned that rising fiscal deficits will further increase borrowings beyond prudent levels.

He said the increase in government expenditure had been higher than the increase in revenue, especially following the implementation of the fiscal stimulus package last year. As a result, the government's financial position remained in deficit during the period.

"Although borrowings are at a manageable level, and are largely sourced domestically, the government is concerned that rising fiscal deficits will further increase borrowings beyond prudent levels. We must avoid borrowing continuously from external sources, which

if not contained, can lead to instability and eventually threaten the nation's sovereignty," he said.

The government, Dr Mahathir said, had implemented expansionary fiscal policies for five consecutive years since 1998. As a result, total public investment increased from nearly RM32bil in 1997 to RM49bil last year. Private investment, in contrast, had declined sharply from RM90bil to RM34.5bil.

In terms of contribution to gross domestic product, public sector expenditure increased from 24% to 31%, while that of the private sector declined significantly from 83% to 59% during the same period, he said.