

18 APR 2003

LEAD MAHATHIR-CHANGES

NEED FOR STRATEGIC SHIFT IN THINKING, SAYS MAHATHIR

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PUTRAJAYA, April 18 (Bernama) -- Datuk Seri Dr Mahathir Mohamad has called on both the public and private sectors not to merely depend on incentives and tax deductions from stimulus packages to ensure sustainable long term growth but undertake strategic shifts to overcome current weaknesses in the domestic economy.

"There is a need for a change in the mindset of people where they would have to start looking at reducing problems by themselves within the society for their own well-being and that of the country's economy," Dr Mahathir, who is also finance minister, told Bernama in an interview at his official residence, Seri Perdana, here today.

Dr Mahathir said the stimulus package to be announced by the government was only aimed at generating business activity in view of the economic fallout from the war in Iraq and the Severe Acute Respiratory Syndrome (SARS) and before that the global slowdown from the Sept 11 terror attacks.

The prime minister, currently on two months' leave, returned from Japan and Latin America earlier this week and is expected to leave for Europe next week.

Asked whether Malaysia, as chairman of the Non-Aligned Movement (NAM), might be victimised by the United States for being vocal in opposing the war against Iraq, Dr Mahathir said, "We have to try to fend for ourselves."

To a suggestion that the United States, which has stamped its military might unilaterally might do likewise on the economic front by controlling the World Trade Organisation and the Asia Pacific Economic Cooperation (Apec), Forum, he said this remained to be seen.

However, he felt that the United States might resort to such tactics and impose sanctions "if we don't agree to their demands."

"We don't know what will happen," he said.

Dr Mahathir, in citing an example how local tour and travel agencies affected by poor arrivals from Hong Kong in view of the SARS epidemic could effect a mindset change, said they should look elsewhere in wooing tourists to Malaysia instead.

He also suggested to Malaysian industries to diversify to incorporate new activities in line with the demands of the market such as specialising in Information and Communications Technology (ICT) and incorporating knowledge-based processes into their operations.

"We have to emphasise on certain areas of the economy that can be made to grow further but to do this, we have to change our direction.

"When it comes to stimulus packages, the private sector invariably looks for incentives and tax deductions, but depending on incentives and tax cuts are short term in nature and is not the way to overcome problems," he said.

Elaborating on the strategic shifts that need to be taken, Dr Mahathir cited the steps in Malaysia's economic evolution in the early days when it diversified away from depending too much on tin and rubber, given their depressed prices, to go in a big way into palm oil to sustain the country's revenue base.

If the economy had gone on looking for tin when the commodity was fast depleting, Malaysia would have gone to the dogs, he said.

The prime minister said the government has always been giving out many incentives for the private sector but what was more crucial was for businesses to move away from traditional areas and incorporate new

activities with better earnings potential and yields.

Calling on Malaysian businesses not to depend excessively on the government or expect government help everytime they got into trouble, he said they should stop acting irresponsibly in light of changes in the global economy.

Turning to efforts to woo foreign direct investments which were an integral part of enhancing the country's revenue base, Dr Mahathir said Malaysians should not treat investors shabbily but be hospitable to them if they expected FDIs to be sustained.

Dr Mahathir said there were investors from West Asia with abundant investible funds but Malaysia would have to woo them aggressively to bring their funds over to invest in areas such as Islamic banking and products.

He said a roadshow to promote Malaysia's Islamic banking products and the Labuan International Financial Exchange on which Islamic financial instruments were traded on would be continued after the war in Iraq.

Asked whether there were useful insights on his trips abroad during his on-going vacation, he said, "There is a lot to learn, my notebook is full."

He said he had made numerous observations from visits to factories and other places on how foreigners undertook certain activities to improve their economies.

"But to achieve all this, the question is: are we prepared to change? Otherwise all these observations will come to nothing," Dr Mahathir stressed.

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MR SD SHY