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Minimum target of 4pc growth set for this year

LANGKAWI, Sat. - The Government has set a minimum target of a four per cent economic growth this year, but Prime Minister Datuk Seri Dr Mahathir Mohamad cautioned that the figure may not be reached if war breaks out in Iraq.

Malaysia recorded a 4.2 per cent growth last year.

"We hope to achieve four per cent, maybe more, but this is dependent on the world situation," said Dr Mahathir after opening the Langkawi Lagoon Resort today.

"If war breaks out, it will affect our country, and we may not be able to achieve our target.

"But if there is no war, and with the programmes we have launched, I am confident we will achieve a growth of four per cent."

Dr Mahathir also said Malaysia no longer wanted to depend on foreign direct investments (FDI) for growth.

"We want domestic investment, and we will help local entrepreneurs and investors to undertake projects and expand industries, so that local economic contribution assumes a more important role than foreign contributions."

He said it was well known that Japan and South Korea were not dependent on FDI for their development.

"Nevertheless, there are many who hold the opinion that without FDI, it is impossible for us to achieve growth.

"That is not true. We can stimulate (the economy) from within because we have a lot of domestic capacity."

On the impact of the two sen per litre hike in the prices of petrol, liquefied petroleum gas and diesel on the prices of goods and services, Dr Mahathir said: "The rise (in oil prices) is going to affect the whole world.

"If our cost of production increases because of higher fuel prices, then a similar, if not greater increase, will occur in other countries."

He said Malaysia produced 650,000 barrels of oil daily and consumption used to be 350,000 barrels.

The difference between production and consumption, which is 300,000 barrels, was sold and proceeds used to subsidise local prices.

"Nowadays, Malaysia consumes 550,000 barrels per day while production is still 650,000.

"This means we can only sell 100,000 barrels to subsidise higher consumption. We have less money to continue subsidies."

He said the Government could not allow subsidies to remain at current levels in the face of static production figures and increased consumption as it would distort the economy.

On local consumers who would have to bear with higher prices for goods and services such as Malaysia Airlines flights, Dr Mahathir said: "All consumers worldwide will have to face the effect of rising oil prices, not just Malaysia Airlines.

"Singapore Airlines and other carriers will face increased costs. But because this is a common factor, it will not reduce the competitiveness of Malaysia Airlines."