

PM's Interview With Bernama 'New year will be time of recovery'

QUESTION: You celebrated your birthday on Dec 20. May we know your birthday wish?

Answer: My hope is that in 2002 the situation will improve a bit because 2001 saw several tragic incidents, especially America's economic downturn and then the Sept 11 terrorist attacks on the United States.

And these incidents have had very adverse effects on our economy, the world economy and also placed us in an uncomfortable position because as an Islamic country, we also came under attention as if we were also involved in the violence committed by terror-ists said to be Muslims.

So, we hope that in 2002 the situation will recover, although not fully, but at least there will not be incidents like those seen in 2001.

Q: On the whole, are you satisfied with the country's achievements in various fields last year?

A: Compared to the past, of course, the country's recovery was not that good, but compared with other countries we have made quite good progress. This is because the country has remained stable, and although its economic growth was below expectation it still performed better than most other countries. And we believe our performance in 2001 was not as bad as expected.

Q: Do you think that the incidents of 2001, whether outside or within the country, disrupted Malaysia's march towards Vision 2020?

A: There might have been a little impact but we hope it was only for 2001. As we know, in 2000 we recorded good growth exceeding eight per cent, and we had hoped that 2001 would also see the same level of growth. But because of the slowdown in the American economy and then the terrorist attacks, we could not achieve our target. But we still think the situation was not that bad.

Q: Will we see higher unemployment in 2002?

A: I am confident that we will recover slightly in 2002. Unemployment in our country is very low, and I think we will recover and unemployment will not be a problem to us.

Actually, there are abundant jobs in our country but the problem is that many of the unemployed are choosy about jobs. Because of this, they remain jobless.

Q: What is our projected economic growth for 2002?

A: We believe that for 2001 we may achieve growth of only between 0.5 per cent and one per cent, and in 2002, maybe about three per cent.

Q: Does Washington now better understand all our actions and decisions involving various matters following the Sept 11 incident in the United States?

A: There was a change of government in the United States, and with the new government, we do not have problems and we were looking forward to improving ties with the US even before the Sept 11 incident happened.

But with the Sept 11 incident, our country, as one of the Islamic countries, has emerged in the international arena as the only Islamic country that is progressive, democratic and stable. Although there were assumptions that we were also involved directly or indirectly in acts of violence, the world has acknowledged that our government is capable of tackling internal problems related to violence and the economy.

Q: Countries which at one time were so vocal in opposing what they claimed to be human rights violations in the implementation of the Internal Security Act (ISA) have quickly adopted the concept of the Act. For example, America and the United Kingdom recently passed Bills aimed at checking terror. What is your view on this?

A: Yes, it is easy for those not affected to make a stand that tough measures should not be used to tackle the internal problems of a country. But when their own country was hit, their stand changed.

At that time they realised that what we were doing was to save our country and they also knew that to save their country they had to adopt the same approach.

So, it is obvious that criticism of Malaysia was based on the assumption that they would not be hit by the same problems faced by Malaysia. When they were attacked, their reaction was just the same.

Q: So, does it mean that the criticisms levelled against the government on the use of the ISA all this while were unfounded, and does this also mean that the ISA has become more relevant following the Sept 11 incident?

A: The ISA or other similar laws are indeed relevant to all countries in certain situations. We do not use the ISA indiscriminately. We only use it in certain situations where the country's security is under threat.

They felt that there was no threat to their security, but when faced with the same problem they also used the same methods to tackle this threat. So, it is clear that it is very easy to criticise others for allegedly not adopting good practices until something happened to them, and only then did they realise that they had to use the same approach.

Q: The last time you met President (George W.) Bush was at the Apec forum in China recently. There are many analyses which view this as a positive sign for Malaysia-US ties. In fact, some say that Malaysia and the United States now better understand each other's stand. Is this true?

A: I think it is true because I met President Bush in a situation where America also faced the problem of threat to its security and definitely he would better appreciate how, why we used our approach to tackle the security problem in our country. With that, he may better understand what was done by Malaysia because he is also facing the same problem.

Q: Are you going to visit Washington soon?

A: At the moment we have no plans, but I may go to the United States to attend a forum in New York organised by the World Economic Forum. And if I go, I may meet him (Bush) there, and possibly at other times. I'm not sure.

Q: Previously, the Western media viewed Malaysia as a country which can be said to be opposing the United States. With the new administration of President Bush, how do you view bilateral relations between Malaysia and the United States?

A: It is better now than before. As we know, the US administration made direct criticisms on us and, in fact, its Vice-President (Al Gore) came here and encouraged certain people to topple the Government. But the present government in the United States does not do this. With this, it is easier for us to have communication with the new government.

Q: Many people say that amid the economic slowdown affecting the country now, it is clear that you have succeeded in strengthening the country's political situation, especially Barisan Nasional and Umno. What is your view?

A: Yes, we did not deliberately strengthen the situation but I think the people could see the importance of the Government being firmer in administering the country, whether in terms of security or economy or politics. Maybe it was seen that in countries where the governments were not strong, weak, not firm, there were many problems.

In Malaysia, we managed to avoid problems because we have a government that gets huge support from the people through their elected representatives, and we could take action firmly in all areas to preserve the situation in the country. Maybe the people could see and, therefore, feel more comfortable with the present Barisan Nasional government.

Q: But there are others who consider this as a draconian action, and this is what is being said in various parts of the country.

A: Yes, whether draconian or not, extraordinary or not, depends on the situation. We see that other countries also acted in a draconian manner when faced with the same problem.

Q: In fact, worse than that?

A: Yes, worse than that. So, the reaction of a government, the action of a government, depends on the situation. In a situation where there were no problems for a country, it was very easy to talk about human rights, democracy and other things. But we see that when threatened by something, human rights and democracy were set aside. This is obvious. I think the people can see this.

Q: So, what is important is law and order?

A: Yes, because we give priority to the interest of the majority, not the interest of individuals. We respect a person's rights, but his rights are limited to actions which do not jeopardise the security of the majority. This is our stand. And we do not apologise to anyone for our stand.

Q: Even if we are strongly criticised, particularly by Western countries?

A: We were strongly criticised by the Western countries, (but) we never bowed to them in any field because we are responsible to our country, to our people. They are not responsible for our country.

To them, if our people suffer, it is not their problem. But we are responsible. We are elected by the people, and it is our responsibility to look after the people's security and well-being.

Q: As the Barisan Nasional chairman, have you done anything to defuse the situation in trouble-stricken MCA?

A: Such squabbling happens in all parties, including opposition parties. There are bound to be differences of opinion in the leadership of a party. It happens in Umno, Gerakan, the DAP too, and Keadilan, and it is not surprising if it happens to MCA. We try to defuse the situation.

I met the leaders concerned and asked them to settle their problems in an amicable way by giving priority to the party, not to certain people or leaders. What is important is the party, not leaders. Leaders come and go, but the party is here to stay. So, look after the interest of the party, not the interest of individuals.

Q: If this problem drags on without any resolution in sight, will BN hold a special meeting? Will this be necessary or will MCA be allowed to resolve its own problem?

A: The Barisan Nasional tradition is not to interfere in the internal affairs of component parties unless something happens which cannot be stopped at all. But as it is, we think MCA and its leaders are capable of settling this problem. Maybe if we have discussions, including myself, if asked to give advice, maybe I can offer some advice.

Q: There seems to be a response from both sides following the advice given by you. But if this dispute drags on until the Indera Kayangan by-election is held, could it be exploited by the opposition?

A: Yes, if this thing is prolonged, it could be exploited by the opposition parties. But I see signs that they can resolve their misunderstanding and in this by-election I am confident they will be united.

Now the MCA president is even willing to head the MCA in this campaign and it is supported by the Youth chief and others have also said they would give their full co-operation.

Q: At one time, money politics was a threat to Umno and, in fact, Umno was almost destroyed, and after that several actions were taken to prevent money politics from recurring. What is the result today?

A: I think the situation has improved a bit. It is not so obvious although we can only make assessments during elections for division chiefs or near elections and the like. During that time maybe this phenomenon of using money will surface again.

But I am confident that most Umno leaders, Umno members are now aware of the action that will be taken against them, to the extent of their losing their position altogether, not being able to be division chief or to stand as candidates. With this, I am confident that they will reduce, although not fully, the use of money in seeking support for themselves.

Q: By curbing the problem of money politics, do you expect Umno to become stronger to put up an excellent performance in the next general election?

A: Yes, I believe Umno will put up a better performance because we can see that many are now keen to join Umno and Umno leaders are now more serious and aware of weaknesses arising from their own actions.

They have stopped actions which can destroy Umno. With this, I am confident that in the next general election, Umno's performance will improve.

Q: Will you go down to the ground for the next general election?

A: Yes, I think I will go down to the ground. The question is whether I will contest. No matter who contests, it is my duty to give full support to Umno candidates, Barisan Nasional candidates.

Q: So, will you contest or not?

A: I am 76. The desire to ensure Barisan Nasional's success is there but Barisan Nasional can achieve success even if I do not contest or am no longer the leader. This is a possibility but in certain situations if I am required to contest, I will contest.

Q: If Parti Bersatu Sabah (PBS) is accepted back into the BN fold, can it help to further stabilise the political situation in the country, especially Sabah?

A: I think it can help to stabilise, it can contribute to the strength of the Barisan Nasional government in Sabah and also contribute to the strength of the Barisan Nasional government at the federal level.

Q: After the Sept 11 incident, many international airlines have wound up and many have suffered losses. What is the position of MAS?

A: Even before the Sept 11 incident, MAS' position was already not that healthy and we have taken action to rehabilitate it by taking back MAS by buying its shares.

And now the Government has full control over MAS and we have appointed a new management, and we are studying MAS' operations to identify its weaknesses. And we would also like to look into how to restructure MAS, its management and the company itself. This is being studied, and no final decision has been made.

Q: Does this include selling MAS or part of it to a more effective company?

A: There are proposals from other airlines to buy shares in MAS.

Q: From which company, for example?

A: Some companies in Europe have shown interest but we have not made our decision yet. We think that after we have restructured MAS, its value will improve, and with that we may be able to ensure that MAS would not be easily taken over by other parties.

However, we must remember that MAS is our national carrier, and national interest needs to be considered.

Q: Since you took over the Finance portfolio, many feel that there is now better transparency and corporate management. They are also of the view that the distribution of contracts to companies and contractors has become more comprehensive and even. What is your comment?

A: Yes, that is a perception of the public. They may have a basis, but even before this we wanted to manage the country's financial affairs in a transparent manner that can be seen by the rakyat.

However, sometimes it looked as though some parties were given special treatment and this has raised questions. Now we are reviewing the situation since there are more people involved in business, for example bumiputeras, and they also have certain abilities.

We feel that they should be given a chance and we should not limit the opportunities to those who have proven themselves earlier. Because of this, we are now giving contract opportunities to more people who submit tenders, and sometimes, in cases where certain expertise is required, we are also willing to hold direct negotiations. But this is one approach we try to avoid.

Q: What is the reason?

A: Because we do not want to be seen as though we have chosen certain people. But if they have certain abilities and expertise or stronger financial position, we may give some priority. But not to the extent of burdening the government.

Q: Proton car sales in the country are encouraging. But there are reports saying that when Afta is implemented, the sale of Proton cars abroad will be affected and will not meet the sales target. How far is this true and what actions have been taken to overcome this problem?

A: This is a rather competitive field. Proton is a small automotive company compared to the giants of the world.

We need to compete with them and this is not easy because we all know that in this industry the cost depends on the output, economies of scale. Because of this, Proton cars always seem more expensive than the rest.

However, we have managed to penetrate several sophisticated markets like the United Kingdom. We were able to sell quite a number of cars in the very competitive market in the United Kingdom.

This shows that we have the ability but after Afta, problems will arise in the local market because we can no longer protect Proton with import duties since these duties must be lowered.

We find that other Afta countries are willing not to produce their national cars but to assemble those of big nations such as Japan, Korea and others. And under the Afta conditions, if a car has 40 per cent local content, it can be considered a national car, while Proton has more than 90 per cent local components.

Q: Some government departments or agencies could not cope with the country's rapid development, so much so that the allocations given were not spent. How is the situation now?

A: Even from before, ministries and departments could not finish their allocations in the budget year and usually brought them forward to the next year. But this time the allocations are much bigger and because of this their performance is not as expected.

However, we think the approach needs to be changed a bit, that is, where previously we budgeted for one year, (now) we will make a budget for two years. For the second year we will identify undertakings which do not need money.

Many undertakings or projects do not need funds, for example, conducting negotiations to procure land and others. Such efforts do not need funds until a given time.

Hence, we can speed up the process to ensure that the budget for a year can be spent from January and not June, July...after undertakings which do not require money have been completed. So, our approach needs to be changed. The Government will try it out for 2002 and 2003.

Q: Several months ago when you took over the post of Finance Minister, you said that until you could find a successor, you would handle the job of Finance Minister, and it looks like you have been doing a good job. Could we expect any change in this matter?

A: I still need a Finance Minister; if not to take over from me as Finance Minister, then maybe as my assistant. We used to have a second Finance Minister, it is possible. This is one approach we will choose because the duties of Finance Minister are very heavy.

I feel that this task has somewhat become a big burden for me although I have been able to shoulder it until now as I have other responsibilities as Prime Minister. As such, I may need an assistant, but we want to find a person who is truly suitable.

Q: Maybe you have identified the candidate for this post.

A: Not yet...

Q: Will it happen in the near future?

A: I have not decided yet.

Q: The performance of the Kuala Lumpur Stock Exchange looked very encouraging in the last two months, and according to analysts our market may breach the 700point level soon. Is this a sign that investors, especially foreign investors, are confident of the local market and is it because they feel that Malaysia has the economic fundamentals?

A: If they want to see their investments bringing returns, they will invest in Malaysia. Our problem is that we receive bad press, that is until today the foreign media still deliberately paint a bad picture of Malaysia.

One example is when a group of tourists from Europe wanted to visit Malaysia, and at the same time a newspaper reported that Malaysia was a dangerous place to visit. Despite this, they still went ahead and visited the country and found nothing dangerous in Malaysia.

And when a local newspaper, The Sun, carried the story of an alleged plot to assassinate me and my deputy, it was picked up by newspapers all over the world and this caused people to be scared of Malaysia. If not for the bad publicity, I am confident that tourists and investors will come to Malaysia in droves.

This is our problem. From the economic, administrative and security aspects, we are fine, but we still get bad publicity.

For example, when reporting on Malaysia, they will add "where there is no democracy", "where the media are controlled by the government". Although we know that the Asian Wall Street Journal and International Herald Tribune

are printed in Kuala Lumpur and distributed throughout Southeast Asia, yet they have to say such things. Now they add "Muslim country". This caused our recovery to be disrupted.

Q: One fact which may have escaped the foreign media's attention is that, according to reports today, although the Sept 11 incident has affected the global tourism industry, the number of tourists who came to Malaysia between January and November 2001 was 11.5 million, and the projected figure for the whole year is 12.5 million.

In terms of growth, it was 28.5 per cent. So what was said by the foreign media was not true because statistics show that more tourists were coming to Malaysia.

A: The tourists who came to Malaysia and boosted arrivals for 2001 were those who arrived before September. The figure for every month is more than one million. If not for the Sept 11 terrorist acts, we are confident of getting more than one million tourists every month. And this is a very big figure because for the whole of 2000 the number of tourists was 10 million, that is less than one million a month.

But from January until before September, arrivals totalled one million every month. This caused the figure to rise for 2001 although in September it dropped sharply. October was still low, reaching only 700,000 but in the preceding months it was very high and the total will exceed 12 million for 2001.

Q: This question is about the West Asia issue. Malaysia pays attention to this issue because it involves our ties with Palestine. Recently, there occurred bloodshed and you have condemned Israel's attacks on Palestine. Is there an end to this issue?

A: Any settlement depends on the big powers. As long as the big powers give face to Israel, there will not be a settlement.

I have been following the developments in Palestine since the formation of the state of Israel and even before that we knew that this is what caused the big dispute, on the one hand, between Palestinian Arabs and Israelis and also between Muslims and the major powers in Europe.

They seemed insensitive to the feelings of Muslims. They took the territory of Muslims and gave it to other people because they felt guilty for killing six million Jews during the previous war, to atone for their sins. So they took Arab territory and gave it to Israel.

For a long time, the Arabs did not accept Israel but finally they accepted the existence of Israel as a way to resolve the problem. But the Israelis do not want to recognise the state of Palestine.

So, while Arabs and Muslims recognise Israel, Israel does not want to recognise Palestine and this caused strong enmity between Palestinians, who are supported by other Muslims, and Israel which is supported by the big powers, and a settlement could not be achieved as long as Israeli territory is not determined.

Even today the borders of Israel have yet to be determined. This means that settlement cannot be reached. We find that Israel is indeed violent, especially Ariel Sharon. He was the one who killed many Muslims in Lebanon and now he is the Prime Minister of Israel. And we could see how violent this person is when given the green light to attack.

As long as the big powers do not rein in or stop Ariel Sharon, I think terrorism will continue to be committed. At the same time we should also remember that attacks by Hamas do not help the Palestinians. These are wanton attacks which do not at all help in achieving the Palestinian objective.

It's only acting in retaliation and anger without thinking of the result, consequences. So I see on one side the violent and cruel Ariel Sharon and on the other side, Hamas, which fights all out without thinking of the objective. This is the problem there.

Q: Malaysia is expected to organise an international conference on terrorism. Do you think this is the only forum which can possibly find a resolution or settlement to this problem, including the problem in Palestine?

A: Yes, we believe it is something important because at the moment terrorism is linked to the Sept 11 incident, when we know that even before that many acts of terror had been committed by various types of people. We see that in Japan there also occurred acts of terror. In Japan there was the Red Army which had come to Kuala Lumpur before and seized the American Embassy.

The Bierhoff Gang in Germany, too, is also a terrorist group. There are many more terrorist groups, including Jewish ones. So, if we want to fight terrorists, we fight all terrorists. But if we say terrorists are only Muslims, I think this is unfair.

Why should Muslims not be given help when facing terrorism perpetrated by others while we help if other people are facing terrorists?

Q: To end this discussion, do you have a message for the country?

A: As usual, my message is that we should be grateful because our country is safe and peaceful amidst the chaotic economies of countries in the world which are facing pressure, and we can see what is happening in Argentina, for example. We are still in a healthy position, we lead good lives, we have enough money.

The Government also does not face financial problems and could afford to pay bonus. We could increase salaries, we could allocate a lot of money for development.

As such, we should be grateful, and being thankful means that we should not act in an irresponsible manner. When we are grateful, we should be responsible and contribute to the preservation of the peaceful situation and progress in our country.

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Malaysia Imports Beat Forecast

Nation Posted Narrower-Than-Expected November Trade Surplus as a Result

Data Indicate There May Be a Recovery Ahead in Manufacturing

By MONICA HOUSTON-WAESCH
DOW JONES NEWSWIRES

KUALA LUMPUR — Malaysia's Department of Statistics said the country's preliminary November trade surplus totaled 3.9 billion ringgit (\$1.03 billion), which was narrower than expected, largely because of higher-than-anticipated imports.

Economists have been watching for signs that declines in exports and imports are bottoming out, particularly since data from other countries in the region have reignited hopes of an imminent recovery in manufacturing production.

The smaller-than-expected drop in Malaysia's November imports signals that some manufacturers may be gearing up for fresh orders, coupled with heightened domestic demand for imported products ahead of the December holidays.

Imports fell 8.6% in November from a year earlier, more moderate than the 11.8% decline expected. Exports, meanwhile, dropped 13.4%, in line with ana-

lysts' expectations of a 13.1% decline.

"The recovery in imports is definitely welcome, especially if it is led by recovery in intermediate goods," said Nizam Idris, a regional economist at IDEAGlobal in Singapore.

"While we don't have exact breakdowns, I estimate intermediate imports were down 11.2% on year, an improvement from a 26% decline in August," he said, adding that the figures improved slightly in September and October.

The statistics agency said imports of capital and intermediate goods combined to make up about 87% of the total value of imports in November.

"When imports of intermediate goods are better, this will be reflected in better production figures, or even better export figures, in coming months. . . . Producers are getting a bit more optimistic, either because orders are on the rise, inventory levels need to be topped up, or both," Mr. Nizam said.

Some analysts said that on a seasonal-

ly adjusted month-to-month basis, declines in imports actually bottomed out late in the summer, and a continuation of this trend may mean the central bank has room for a further cut in interest rates.

In the autumn, Bank Negara Malaysia cut its key intervention rate, the rate used by commercial banks to calculate base lending rates, to 5% from 5.5%.

"The balance of payments remains strong and lower rates would help domestic demand, which is what Malaysia has been trying to do," said Vasam Shridharan, senior regional economist at HSBC Bank in Singapore. "Malaysia could still cut rates without sacrificing much in terms of the differential between Malaysian and U.S. rates," he said.

Nevertheless, observers say Bank Negara Malaysia is unlikely to make a cut soon since banks already are struggling with the economic slowdown in terms of increasing nonperforming loans and narrow profit margins.

Recently, central-bank officials have said that while the bank has the flexibility to alter rates, they are already at all-time lows.

Meanwhile, most economists concurred it would be premature to think in terms of a full-blown recovery now.

"There is no dramatic rebound just yet, though trade isn't deteriorating as it had in midyear," David Cohen, regional director of economic analysis at MMS International in Singapore said, "clearly, it's not getting worse."

"We are in a tentative phase where there is still some back and forth in the numbers, but I think the basic message is that the situation is firming," he said. "Depending on improvement in the global environment we should start to see a pick-up (in data) in the new year," he said.