

PM warns of 'disaster' unless inflation tackled
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Prime Minister Abdullah Ahmad Badawi has warned of a "real disaster" unless bold steps are taken to tackle the global inflation crisis.

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abdullah ahmad badawi pm mihah halal convention 080508 01Abdullah told the World Economic Forum on East Asia in an opening address late yesterday that the prospect of a global recession loomed as the prices of food and fuel spiral upwards.

"About 100 million or more people have descended into poverty worldwide while low and middle-income groups everywhere are feeling the strain of increased food prices on their budget," he said.

"Mass protests over food have erupted in several countries and more instability awaits those societies which fail to alleviate their problems."

"It seems that we have yet to awaken to the enormity of the problem and its potential for creating a real disaster," he said, adding that measures taken by Asian countries have had only a limited effect.

Abdullah urged developed nations to think again on issues like much-criticised farm subsidies, as well as a shift towards biofuel, which is soaking up vast amounts of grain production.

Need to control oil speculators

He also criticised Western governments for allowing speculators to drive up the price of oil.

"If our own financial institutions were involved, I have no doubt that we would have been subject to vociferous criticism," he said.

The World Economic Forum has been dominated by the inflation crisis, with delegates including Indonesian Trade Minister Mari Pangestu saying today that governments faced tough decisions, particularly if elections approached.

"If you ask the question, what is the appropriate response from governments, the ideal answer is that it should be an integrated and comprehensive approach. Easier said than done because of political cycles," she said.

"It puts governments in very difficult situations," she said, adding that it was important to resist the temptation to control prices and increase protectionism.

"I think it's very important not to panic ... because part of the price increases are government policy-related," she said.

"So it's very important to get the policies right, nationally and internationally."

"Otherwise, while prices will adjust, it will take longer than what is needed, and the cost is

very high, both politically and for the poor of the world," she said.

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