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Pragmatic, far-sighted and fair

THE 1998 Budget can make people sigh with relief, smile with gratitude, groan in pain and whine in self-pity. The Budget presented by Finance Minister Datuk Seri Anwar Ibrahim yesterday was hyped up as one that was out to please no one, a Budget that would be painful and unpopular. But most Malaysians would have sighed with relief that once again they have been given a Budget that is pragmatic, far-sighted and, most importantly, fair. For a few, some of the measures in the Budget would inflict pain, but nothing that cannot be cured with a slight moderation in their own lifestyles and needs. For the masses, the Budget would have assured them that their economy is under control and there is no crisis that hard work and self-confidence could not overcome.

Clearly, given the circumstances of the last three months, the 1998 Budget is one with a mission - to introduce measures that will ensure Malaysia achieves sustained growth levels, help the economy deal with some fundamental weaknesses, and boost the confidence of the people and the investors alike. The country is facing some major challenges: volatility of financial markets, current account deficit, savings-investment gap, tight labour market, strong credit growth, asset inflation and social or socio-economic issues. After a decade of uninterrupted strong growth rates of over 8 per cent, these weaknesses have cropped up; some are "growing pains" and some the result of the incredible pace of development itself. Others had been caused by a combination of factors; one of them, the attacks on the region's financial markets. Prime Minister Datuk Seri Dr Mahathir Mohamad has caught the world off-guard with what he had said about that.

In view of the Government's radical proposals on how to deal with currency speculation and because of what the recent financial market attacks have done to the economies of Thailand and Indonesia, the 1998 Budget is also one of the most closely watched by international experts. It was good, therefore, that the Budget has chosen to boost investor confidence without kow-towing to unreasonable external pressures or influenced by demands that the Government slows down the gross domestic product growth drastically. The economy is still expected to grow at the fast pace of 7 per cent, and low inflation is expected to stay. Imports of luxury items and machinery and equipment, especially for the construction sector, will be slapped harsh increases in import duties and sales tax, but with the deferment of major projects that would have cost the country some RM70 billion, we can expect demand for such items to drop significantly.

Painful? Businesses and the average wage-earner will not agree. There may be fewer goodies and handouts this time, but companies are not complaining about the further reduction in corporate tax, civil servants are not groaning about the one-month bonus, parents are not whining about the unaffected cost of education, and consumers will not be moaning the threat to those who are thinking of increasing prices of necessities. The Budget remains "caring", through measures to compel private hospitals to provide special wards for the poor and by refraining from increasing taxes for the ordinary people. Higher import duties on vehicles are restricted to luxury models. The Government's aspiration to make the people more information technology-literate is pursued here. At the same time, the Government has made sure that its commitment to liberalisation and

deregulation under the World Trade Organisation programme is unwavered. There are measures to boost the financial markets, and the Budget is determined the ringgit is undervalued and will find its pre-July level in good time.

In total, the thrust of the Budget and the manner the Government plans to go about its business of achieving growth and stability next year - without inflicting unnecessary pain to the underprivileged and without jeopardising the rakyat's livelihood - is hard not to admire. Partly, this has been made possible by previous policies, strategies and budgets that have made the economy as resilient as it is. A weaker economy and a less committed Government would have forced the economy under, and the people would have been faced now with unemployment threats, pay cuts, higher taxes and bleak prospects. But as Anwar emphasised in his Budget speech, the measures that are being introduced in the 1998 Budget will require adherence by, and full cooperation of, every Malaysian. Less than that, and we might face a less-pleasant scenario this time next year.

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