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Mahathir-Budget

MAHATHIR PRESENTS ECONOMIC REVIVAL BUDGET

KUALA LUMPUR, Oct 23 (Bernama) -- Faced with the first recession in over 10 years, Malaysia today unveiled a leaner budget for 1999 but with new measures to revive the economy and insulate it from the regional financial crisis.

Prime Minister Datuk Seri Dr Mahathir Mohamad, presenting his first budget, said the economy would be revitalised through generating growth, reviving business activities and improving the efficiency of the public sector and cooperation with the private sector.

Next year's budget will see a huge RM16.635 billion deficit, also the first deficit in more than a decade, on the back of 14.3 per cent drop in Federal government revenue to RM47.160 billion, the lowest earnings in five years.

The 1999 Budget totals RM65.095 billion, down 9.3 per cent from this year.

Of of this, RM47.042 billion is for operating expenditure and RM18.053 billion for development.

Smoking, drinking and gambling will cost more from today as Dr Mahathir raised duties on cigarettes and other tobacco products and all types of alcoholic beverages, gaming tax and casino duty.

He said this was necessary as a continuous effort to promote healthy lifestyle and reduce the social ills due to consuming alcohol and smoking and to reduce gambling.

Dr Mahathir also came up with a new initiative to boost domestic tourism by declaring a holiday for one Saturday a month for the public sector starting in January.

"The private sector is also encouraged to take a smiliar step," said the prime minister who added that the working hours for the particular Saturday would have to be replaced by increasing the working hours of the other working days.

Unlike the 1997 and 1998 Budgets which gave a generous one-month bonus to civil servants, as expected there was none this time around.

And he thanked trade unions for their understanding of the economic difficulties the country was facing by not demanding a raise.

"The government deeply appreciates the attitude of trade unions that have understood the crisis situation confronting the nation and are prepared to cooperate with the government to overcome obstacles in efforts taken to restore the economy.

"Unlike in other countries, workers in Malaysia and their organisations do not purposely make excessive demands at this time even though they face hardships in their daily lives. Allow me to say Thank You to them," he said.

Dr Mahathir took nearly two hours to read his Budget speech as dozens of anti-riot policemen took position outside in anticipation of a march to Parliament House by supporters of former Deputy Prime Minister Datuk Seri Anwar Ibrahim after Friday prayers at the National Mosque. The march did not take place.

He also announced measures to modernise and streamline the tax administration system. Currently, income tax is assessed on the income earned in the preceding year and is assessed by the Inland Revenue Board according to the Official Assessment System.

Under the modernised tax administration system, the assessment of

income tax on the income received in the preceding year be changed to that of the current beginning from the year 2000 and income received in 1999 be waived from income tax.

Also losses by companies incurred in 1999 will be allowed to be carried forward and the present assessment system based on Official Assessment System will be changed to the Self-Assessment System in stages.

For companies, the year of implementation will be from the year 2001, businesses, partnerships and cooperatives from 2003 and salaried group from 2004.

He said the change was aimed at increasing the efficiency and responsiveness in the collection of income tax to ensure that the government's cash flow reflected the current performance of the economy.

Dr Mahathir also made locally-made air-conditioners, refrigerators and television sets cheaper from today by abolishing the excise duty.

The prime minister struck a note of cautious optimism about the economy, saying Malaysia, which had seen over 8 per cent growth for eight straight years until last year, was expected to recover by the end of this year.

But this forecast was still fraught with risks that could lead to renewed volatility in regional and global financial markets which would hit external demands for exports.

He listed out six such risks.

- + The financial crisis has spread to the whole world and Malaysia's trading partners can no longer afford to buy the country's products.

- + Countries experiencing economic problems will increase trade barriers to protect their products.

- + If this crisis continues to spread, more and more developing countries will require loans to overcome the crisis. This means Malaysia will be forced to compete for external loans at reasonable costs.

- + The possibility of the United States experiencing a financial meltdown. This will make America a weak market.

- + Japanese consumers are still not confident that their economy will recover and this has weakened demand in Japan, one of Malaysia's largest markets.

- + Hong Kong and China are also experiencing intense pressure. The Hong Kong dollar has come under severe attack from currency traders. In efforts to defend the dollar, the economy has been adversely affected and weakened. China also faces problems of competitiveness because of a strong Yuan.

On Malaysia's move to insulate the economy from external uncertainties introduced last month -- through pegging the ringgit at RM3.80 to the dollar and making the ringgit inconvertible overseas

-- Dr Mahathir said these controls would be withdrawn once conditions in the international financial markets were normalised with financial sector reforms.

"There is no reason why the international community should be concerned and question Malaysia's actions. In fact, Malaysia remains committed to the market mechanism and the process of orderly liberalisation," he said.

Dr Mahathir also acted by giving tax incentives to put into productive use expensive facilities built especially for last month's Commonwealth Games such as the National Sports Complex in Bukit Jalil as well as the world-class Philharmonic Hall owned by Petronas, the national oil company.

He said these facilities, the National Theatre and the National Art Gallery had been built at a cost of RM1.66 billion.

Companies operating in Free Industrial Zones or Licenced Manufacturing Warehouses will be exempted from import duty on goods sold during approved sales carnivals held in the Bukit Jalil National Sports Complex.

The prime minister also commented on anti-government protests that took

place in the nation's capital following the sacking of his former deputy last month.

"It is very unfortunate that justice is being sought by way of mob-rule, by having demonstrations and protests. Is this the kind of reform that needs to be introduced.

"Are we to replace the process of law and democracy with mob-law, with anarchy, by tarnishing the image of the country. Does this represent the kind of reform that we want in our much-loved Malaysia."

And he added: "If we feel that the leadership of the country needs to be changed, we can do so through the elections."

He ended his speech by saying that in terms of development and infrastructure facilities, Malaysia was almost on par with the developed countries, including having a sophisticated and beautiful international airport and the world's tallest skyscraper.

"I am convinced that with the attitude and support of the majority of the people and the approach formulated by a fair and democratic government, our nation will be revitalised and attempts to re-colonise us will therefore fail," he said.

-- BERNAMA

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