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Rising to the challenge

BOLD, very bold. The 1999 national Budget is that and more given the circumstances. The proposed fiscal measures challenge head-on the international prescriptions that have been forced down the throats of many crisis-hit countries. The income tax waiver for assessment year 1999 is totally unexpected and together with the proposed self-assessment tax system, proves that hard times can't kill progressive thinking. Smokers, drinkers and gamblers will pay considerably more for their "sins"; they, in turn, can boast about higher taxes on cigarettes, liquor and games as being part of their contribution to economic recovery. Malaysians as a whole though, will achieve little by bragging about what they have done. There is a whole lot more they can and must do, to recharge the economy.

Wage-earners, business people, politicians, civil servants or students, Malaysians from all walks of life will have to work hard, very hard. And although the Government has decided to waive a year's revenues from taxpayers, they will have to make some sacrifices and do away with a few excesses. Yes, signs of recovery can be seen here and there on the economic horizon and Malaysians, in line with the Kita Boleh spirit, are bullish on bouncing back. And Prime Minister Datuk Seri Dr Mahathir Mohamad, who tabled his first Budget as First Finance Minister, has promised a 1 per cent growth in the Gross Domestic Product for next year after this year's forecast of a contractionary 4.8 per cent. But recovery will not be automatic and a quicker-than-expected revival can't exactly be painless.

The 1999 Budget is short of RM16 billion in funds needed to finance various development projects. The Government will not beg or steal, but it will need to borrow. The biggest problem - or challenge - facing this country is to find parties from which to borrow the money. With the kinds of sovereign ratings accorded to Malaysia by agencies that have been proven to lack the ability to see anything beyond tomorrow, it has become very difficult for the Government to go to the market and obtain financing. The International Monetary Fund has no money; the US\$18 billion (US\$1 = RM3.80) it expects to get from the US Government is grossly insufficient to bail out an economy like Russia. Japan's proposed US\$1.8 billion aid is the only foreign assistance the Government is banking on.

The remaining will have to come from domestic sources, including local institutions. Foreign direct investment (FDI) will continue to flow in, of that we can be certain. The selective capital controls introduced by Malaysia since September 1 have begun to be viewed favourably; it is just a matter of time before the investors who have been holding back in their wait-and-see positions are convinced that these measures are non-restrictive and certainly not anti-foreigners or anti-FDI. It will take some time though, before FDI reaches its previously high levels. But even during the boom times, FDI was always insufficient to finance all projects. In previous budgets, the need to increase savings was always stressed; this has become even more pressing. At the same time, the people will be required to do their bit to help businesses stay alive. Workers may have to agree to pay cuts to bring down the cost of operations. For those working for companies that happen to do well despite the downturn, there is also a need to refrain from making unreasonable demands.

The Budget made it very clear that Malaysia can't wait for the Group of Seven or the IMF to reform the world monetary system that has abetted in

bringing down currencies and stock markets in Asia and Russia and is now threatening the economies of Latin America and Africa. Malaysians have to support their own products and goods and they ought to stop giving excuses for not using their own ports and services or travelling as tourists in their own country. A bold budget is not enough to get this country out of its predicament if its people still have more faith in things not Malaysian and if they are weak and disunited in the face of adversity.

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