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Focus on speedy economic recovery

THE mid-term review of the Sixth Malaysia Plan was tabled five days after the December 1993 Highland Towers tragedy which was dominating headlines then.

Coupled with strong and sustained economic growth, the review became somewhat a routine exercise then.

Thus, after the economy was jolted by the regional economic crisis, the mid-term review of the Seventh Malaysia Plan has added significance. It is focused on speeding up recovery.

Explaining the difference, a senior Economic Planning Unit official said while the review might not have new measures, "we are being more proactive, intensifying existing measures. And there is new money".

The new money comes in the form of RM22 billion in additional public spending compared to RM3.5 billion the last time because, officials said, this was a stimulus package.

This will be funded, among others, by the World Bank loan of US\$700 million (RM2.66 billion), a yen loan of US\$650 million and the high savings rate.

After last year's recession, the review says real GDP growth rate is expected to be at one per cent this year followed by a much stronger five per cent next year. "We would like to strengthen the growth path," said an official.

However, recovery will depend on the international economy and financial environment, particularly the performance of regional economies.

The revised growth rate for the whole Plan period (1996-2000) was expected to be three per cent instead of eight per cent as targetted. This will be the lowest for any Plan period.

At the same time, per capita GDP is projected to increase to RM12,421 next year, lower than the target of RM14,788.

Would the crisis put back Malaysia's aim of becoming a developed nation by the year 2020?

"We accept this is a setback," said an EPU official. But given the strong growth previously - an average of 8.7 per cent from 1991 to 95 - efforts to seek potential sources of growth from the year 2001 and by strengthening the fundamentals, the target could be attained, said officials.

Indeed, the long-term prospect is central in the review which presents strategies that have been fine-tuned to facilitate the National Development Policy and to achieve the status of a developed nation.

Overall, as outlined by Prime Minister Datuk Seri Dr Mahathir Mohamad, measures will be undertaken to restore investor confidence, revive economic activities and continue human resource development.

As well as addressing falling productivity, low capital efficiency, and inflationary pressures, new sources of growth will be identified.

The review also seeks to reactivate private investment which registered a negative growth of 57.8 per cent last year, boost public and investor confidence, and promote self-employment with the labour force expected to rise from 8.88 million last year to 9.19 million next year.

For this reason, the allocation for small and medium scale-enterprises and petty traders gets a big rise, from RM249.4 million originally to RM638.7 million.

"We want to reach our clients through the most direct method," said Raja

Datuk Zaharaton Raja Datuk Zainal Abidin, leading a team of senior EPU officers during an embargoed briefing to the Press.

In the meantime, the increased foreign equity ownership - from RM49,792 million in 1996 to RM93.667 million last year - was complementary. As they need local partners, the equity of locals too would rise.

Officials said there have also been takeovers of local firms by foreigners, but the Malaysians involved remained in the companies.

The EPU officials also spoke of gauging public opinion on privatised projects, given the reactions triggered by a number of toll-highway projects.

"A survey should be carried out to seek public opinion," said Raja Zaharaton. The notion that concessionaires can charge any rate they please, for instance, is wrong, she added.

And when the EPU team was asked whether financial problems encountered by certain companies in privatised projects will see some form of a roll-back, even nationalisation, the answer was a definitive "no".

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