

29 OCT 1999

MAHATHIR-BUDGET

GENEROUS BUDGET BECAUSE OF BETTER-THAN-EXPECTED RECOVERY

KUALA LUMPUR, Oct 29 (Bernama) -- Malaysia's economic recovery, which was "much faster" than earlier projected, has enabled the government to come up with a generous budget next year, said Prime Minister Datuk Seri Dr Mahathir Mohamad today.

"From the one percent we (had previously) predicted for 1999, we have actually achieved a 4.3 percent growth in gross domestic product," he told a press conference after First Finance Minister Tun Daim Zainuddin presented the budget here.

Dr Mahathir said the government could afford to make "so many cuts in taxes" and provide for alleviation of the problems of the poor next year due to the improved performance of many companies.

He explained that the corporate sector had this year benefitted from tax exemption and the revival of previously abandoned government projects.

"You know the previous Minister of Finance had cut government spending by 21 percent, which means all development projects had to be abandoned. That of course caused many problems to many contractors and suppliers," he said.

The government had this year reinstated its spending on a "small" scale, he said, adding that a lot of infrastructure projects would take off next year that would generate greater economic activities.

As a result, companies were expected to perform better in 2000 and in return allowing the people and the government to earn higher incomes, said Dr Mahathir.

In addition, he said the lower personal income tax (one percent cut) as well as bonus and pay increment for government servants would raise their purchasing power that would help encourage business activities.

The prime minister also thanked civil servants for not demanding a pay hike during the downturn and the government had decided to increase the salary of civil servants by 10 percent next year as it had the ability to do so now.

"We look at our income and our revenue for next year and we decided that we can afford it. It is almost a normal increase in salary," he said.

Dr Mahathir also gave the thumbs up for steps taken by the National Economic Action Council (NEAC) in reviving the economy.

He said the 2000 Budget showed that the NEAC's efforts in turning around the economy were "beyond expectations."

He considered the revised 4.3 percent GDP growth for this year was extraordinary (luar biasa) since the economy recovered from a higher base than other crisis-hit countries.

"Other countries may recover a bit faster but they started from a lower base because they were much more damaged than we were during the recession," he said.

To a question, he said no reduction in corporate tax was offered in the 2000 Budget as the government had already done a lot for the private sector.

After cutting the corporate tax to 28 percent last year, the government was now offering the reduction for individuals, he said adding, "There are other perks they (companies) can take advantage of."

On the impact of lower investment this year to the overall economic performance in 2000, he said, "I think next year the (investment) figures

will change, We expect growth in investment from local sources and foreign direct investment."

Dr Mahathir said next year's GDP growth, projected at five percent, would allow the government to offer cuts in a number of taxes and undertake higher government spending.

To a question, he said from his past experience of the Budget, "On the first day everybody is very happy, the second day they are not as happy, and on the fourth, fifth day and next week they will say this is a rotten Budget.

"If we hold the election today, I think we can win. If we hold election in a week's time, I think we will lose because the oppositions will go and dig up dirt and all that and would be telling a lot of lies to the people," he said.

He also slammed Opposition parties for issuing their own Budget last Wednesday despite the having admitted that they expected to lose in the upcoming election.

"They just want to reduce our majority to less than two-thirds which means they admit they are going to lose. Why did they issue a Budget, I don't know, maybe they expect to hoodwink the people," he said.

However, he said the rakyat, who were sane (berfikiran waras), and were not influenced by the lies of the Opposition would appreciate the Budget.

On whether there were plans to remove the profit tax levy on foreign fund repatriation, he said it would be ridiculous for the government to lift the 10 percent profit levy.

He said even in the US, capital gain tax was imposed and that was higher than the profit levy imposed by Malaysia.

Asked whether the riggit peg at 3.80 against one US dollar would stay forever, Dr Mahathir said, "Forever is a strong word but I think it is going to stay like that.

"We don't like exchange rate to fluctuate violently because that is bad for business. Now businessmen can budget, plan better, and they don't have to hedge. So it is good for business and we are pro-business," he added.

To a question, he said Malaysia was taking steps to reduce its need to source capital and intermediate goods from Japan, following the recent appreciation of the yen.

"Of course we hope the Japanese would move their industries to Malaysia to take advantage of our lower cost as they did last time," he said.

--BERNAMA

AD SHY