

30/10/1999

'Recovery faster than expected'

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MALAYSIA's quick economic recovery has allowed the Government to propose measures which will make life easier for the lower income groups and at the same time promote greater economic activities.

Prime Minister Datuk Seri Dr Mahathir Mohamad said the Government is able to come up a "good budget" because the economic recovery is faster than expected.

"We will achieve 4.3 per cent growth (this year)... a 400 per cent increase over the (earlier) projected 1 per cent gross domestic product growth," he told reporters at the Parliament's lobby yesterday.

The Government found that most companies did quite well and are expected to do even better next year, he said.

"By next year, a lot of infrastructure projects will take off. That will generate a lot of activities and will promote economic growth.

"Companies will do better and people generally will be able to earn more. The Government revenue will increase... we can afford to lose quite a bit of taxes and to spend more because we expect the economy to grow by 5 per cent next year," Dr Mahathir said.

The Prime Minister added that for this reason the Government has decided to pay civil servants a bonus and increase their basic salaries by 10 per cent.

"We have also done away with taxes of various items and look into the welfare of lower income groups, including rubber smallholders.

"A lot of provisions have been made to alleviate the problems of the poor and the government servants as well and also to provide incentives for more business activities," he said.

"The civil servants have been asking for a revision of their salaries but they were very considerate during the downturn, and never disturbed the Government because they knew the Government could not afford (to meet their claims).

"But now, we look at our income and our revenue for next year, and we decided we can afford it. It is almost a normal increase."

The budget is not aimed at winning the people over, the Prime Minister said.

"My experience with budgets is that on the first day everybody is happy. On the second day, they are not as happy, and the following week they would say it is a rotten budget."

However, people who can think rationally and are not influenced by the Opposition will appreciate the budget, he said.

Though investments have declined, the country should see better figures next year with capital coming from both local and foreign sources.

The country's quick recovery proves that the National Economic Action Council is a success beyond expectations, Dr Mahathir said.

On whether he expects the corporate sector to be disappointed, the Prime Minister said the Government has done a lot for the private sector, including lowering the corporate tax to 28 per cent in the previous budget.

Malaysia will maintain its 10 per cent levy on profits from foreign portfolio investments but it is a very small amount, he added.

"Foreigners come here, make lots of money and expect no taxes at all, that is ridiculous. Even America has capital gains tax and it is a very rich country.

"We are only taking 10 per cent of the profits, not capital gains. As you know, when you invest, profits can be very small. It is capital gains that people expect to get the most profits."

Dr Mahathir said the Government is trying reduce the economy's dependence on the US market.

"We are developing the East Asian market. Trade among the (region's) countries is already very big and we intend to make it even bigger so that we are not dependent on any one market."

It is one way to prepare for the eventual bursting of the US economic bubble, he said.

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