

RM3b TO SPEND

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28 MAR 2001

Mahathir announces measures to offset effects of US slowdown

By FOO YEE PING

KUALA LUMPUR: The Government has unveiled a RM3 billion plan to boost the Malaysian economy to cushion the anticipated effects of a United States slowdown.

The thrust of the new measures is to encourage domestic spending and liberalise regulations on equity, property and asset investment by foreigners.

To encourage public spending, workers' monthly contributions to the Employees Provident Fund (EPF) will be reduced to 9% from 11% for a year from next month while credit card holders will no longer have to pay the annual RM50 tax.

Employers' EPF contribution remains the same.

Civil servants will be eligible for car loans every five years instead of the present seven years in a bid to promote the sale of passenger cars.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who announced the measures here yesterday, said the Government had to take these pre-emptive moves to ensure that the growth momentum was sustained.

The US and Japan are Malaysia's main markets, accounting for nearly 50% of total exports.

There are fears that demand for manufactured exports like computer chips, memory

boards and data storage products would be hit.

"There is growing evidence that the US economy may experience a greater slowdown than earlier anticipated," Dr Mahathir told a press conference at Parliament House.

Dr Mahathir said the RM3 billion, which was in addition to the RM28.8 billion already approved under the 2001 Budget, was expected to raise GDP growth by 1.1 percentage point.

This called for a review of official growth estimate of 7% for this year, he added.

He said details would be announced when Bank Negara released its annual report today.

He said the temporary reduction of employees' contribution to the EPF was for a period of one year, effective next month.

Dr Mahathir said that major infrastructure projects like the Bakun hydro-electric dam would be carried out earlier while several other new ones had been identified for immediate implementation. (See chart on Page 3)

To ensure a continued environment of predictability and certainty, he said the Government would continue to maintain the ringgit peg.

And to enhance revenues and foreign exchange, Dr Mahathir said Malaysia would promote tourism more aggressively

'Aggressive promotion for KLIA'

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sively especially to lure visitors from Asean, West and East Asia, and India.

"Malaysia Airports Holdings Berhad will aggressively promote the KL International Airport as a regional hub," he said.

He urged the private sector to respond positively.

"They should aggressively enhance productivity, reduce costs and improve product and service quality in order to remain competitive," he said.

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