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Budget-Mahathir

DOMESTIC SPENDING BOOST, CIVIL SERVANTS GET BONUS AND PAY HIKE

By: Azman Ujang

KUALA LUMPUR, Oct 19 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today unveiled the 2002 budget with measures to give a big boost to domestic spending amidst an ailing world economy caused by the Sept 11 terrorist attacks on the United States.

Dr Mahathir, who is also Finance Minister, reduced personal income tax by between one and two per cent with the present maximum income tax at 29 per cent cut to 28 per cent.

He brought the biggest cheer to the country's 850,000 civil servants by announcing a half-month salary bonus or a minimum of RM1,000 as well as another 10 per cent salary increase for next year.

Dr Mahathir also announced the retail price of petrol and diesel would be increased by 10 sen effective tomorrow.

He said this was to reduce the substantial subsidies of RM4.4 billion provided by the government of which more than half is petroleum subsidy.

Smokers will also have to pay more with import duty on cigarettes increased to RM216 per kg from RM180 while excise duty up to RM48 per kg from RM40.

"Public awareness on the hazards of smoking is still low among the people. A matter of serious concern is the spread of smoking habit among school children," was how Dr Mahathir justified the increase.

Next year's budget is a record high of RM100.52 billion, up 10.4 per cent from this year, with Malaysia recording a deficit for the fifth straight year. Of this, RM66.98 billion goes for operating expenditure and RM33.54 billion, development expenditure.

With a revenue estimated at RM73.4 billion, the federal government is estimated to record a deficit of five per cent of the Gross Domestic Product (GDP) or RM18.6 billion, lower than the RM22.4 billion or 6.5 per cent of the GDP in 2001.

Explaining the rationale of revitalising the economy through increasing domestic spending, Dr Mahathir said: " Money will only generate wealth if it changes hands. Suppliers of goods and services will earn profits from each transaction, while the consumers will through the value of goods, realise the value of their money."

" The higher the frequency with which money changes hands, the greater is its contribution to the nation's growth and wealth creation," said the prime minister who tabled Malaysia's budget in Parliament for the second time.

Dr Mahathir tabled the 1999 Budget in 1998 when he was acting finance minister.

Painting a gloomy picture of the world economy following the terrorist attacks on the US, he said Malaysia's GDP growth for this year had been further revised downwards to between 1 and 2 per cent from 5 and 6 per cent in March. The original forecast was 7 per cent.

" The government responded immediately by putting in place measures to prevent further deterioration in the economy. As we cannot be dependent on external trade, growth must be led by domestic economic activities as well as by exploring new markets," he said of Malaysia's position as the world's 17th largest trading nation.

The measures included the fiscal package of RM4.3 billion announced on Sept 25, in addition to a RM3 billion package in March, all aimed at stimulating domestic economic activities.

The prime minister said the terrorist attacks on the US had not only weakened the world economy but also threatened global political stability and security while prospects of an early recovery had now become uncertain.

" Malaysia opposes violence. At the same time, we are also against a war to combat violence. War is not a solution as many more lives will be lost and more resources destroyed," said Dr Mahathir, who is due to leave for Shanghai tonight to attend the Asia-Pacific Economic Cooperation (Apec) summit where he is scheduled to meet US President George W. Bush to discuss the fight against terrorism.

Referring to the US-led air strikes against Afghanistan, he said: " It will not eradicate terrorism, nor curb terrorist activities. Those involved are not Afghans and not many are in Afghanistan. These terrorists reside in many countries and can launch their attacks from any location."

Expressing concern over the costs of military action, he said war would only worsen the already weak world economy as the world was already facing war risks.

" Links with our trading partners may be disrupted. Costs of insurance on shipping, freight and air transportation have escalated. Global demands for products will continue to decline while costs of trading will increase," he said.

On the United States, he said the world's largest economy was no longer a safe haven for investors who were shifting their funds to other financial centres.

The US accounts for about one-fifth of world output and exports.

" Amidst this environment, the prospects for an early recovery are increasingly dim. Industrial economies may be faced with the possibility of a prolonged attack on Afghanistan, global economic prospects will undoubtedly deteriorate further," he said.

Apart from boosting the economy through domestic spending and diversifying sources of growth through trade and domestic industrial activities, another strategy of the 2002 budget is to ensure equitable distribution of wealth between urban and rural areas, between high and low income groups and between the more developed and less developed states in the country.

For this, Dr Mahathir announced the biggest ever allocation of RM5.34 billion to further increase facilities and amenities in the rural areas, mostly for agriculture, land and regional development, village roads and water and electricity supply.

Dr Mahathir said by the end of the current Eighth Malaysia Plan, potable water would be available to 99 per cent of the population in Peninsular Malaysia, 75 per cent in Sabah and Sarawak while achieving full coverage of electricity supply in the country.

The prime minister spoke of the wide income gap existing between the very rich and very poor in the country and the need for the government to narrow the gap.

" We do not deny the contribution of the rich towards national development through their expenditure and investment. They create job opportunities and their consumption generates commercial activities, thereby providing income to workers and profits to businesses.

" For the lower income group, if their purchasing power is increased, they too can equally contribute to growth. While their income is low, their consumption is big, given the significant number of those in the low income group. As such, if their income is increased, their higher consumption will contribute to the nation's GDP. Thus, efforts must be taken to increase their income," Dr Mahathir said.

The 2002 budget is also women-friendly, giving greater focus to specific programmes aimed at improving the quality of women's lives,

especially in the rural areas, developing female entrepreneurs as well as eradicating the gender bias in all respects.

And Dr Mahathir also brought good news to widows who now lose the benefit of their late husband's pensions if they re-marry.

These women will now continue to receive the pension even if they re-marry.

Dr Mahathir caused laughter among MPs and Senators when he said: " It is hoped that there will not be many who will marry a second wife and leave their first wife because of this provision."

Describing the half-month salary bonus and 10 pay cent pay hike for civil servants as the government's appreciation for the commitment and dedication, he said the government was concerned about their income.

" I hope the bonus will be able to meet the expenses of the coming festivals as well as for those with school-going children when schools reopen," he said. Major festivals like Hari Raya, Deepavali and Christmas will fall before the end of the year.

He said if it could afford, the government could consider a pay hike for the civil service, the last being in 1995. The government increased the basic salary of civil servants by 10 per cent in 2000.

" Now, only two years after the last revision, the government has decided to once again increase salaries in 2002, by another 10 per cent, representing an increase in income of 1.2 months a year," said Dr Mahathir, who also abolished the limit on bonus payment by the private sector as a means to increase the purchasing power of the majority of the people.

The prime minister also announced a price support assistance for palm oil and rubber settlers faced with declining commodity prices.

Palm oil settlers will be given RM12 per tonne if palm oil prices are below RM900 tonne. Rubber settlers will get 15 sen per kg if rubber prices are below RM2.50 per kg.

He also came out with several incentives to develop private institutions of higher learning by reducing the cost of providing education facilities.

All private tertiary institutions and language institutions will be granted exemptions on import duty, excise duty and sales tax on educational equipment, including laboratory fittings, workshops, studios and language laboratories.

Royalty payments by non-residents from private institutions of higher learning for franchised educational schemes will also be exempted from income tax.

Besides the hike in cigarette, petrol and diesel prices, eating out will also now be more expensive.

Explaining the move as a way for the government to strengthen its financial position, Dr Mahathir said restaurants, bars, snack bars and coffee houses, private clubs and advertising companies with annual sales turnover of RM300,000 will impose service tax, instead of those having annual turnover of RM500,000 now.

Service tax on professional services will also be imposed by companies with annual sales turnover of RM150,000 instead of a turnover of RM300,000 now.

The prime minister also said Malaysia was facing problems of social ills and threats to national unity in a country where peace and stability were the cornerstone of economic progress.

" Good planning and excellent development plans will come to nought if there is no peace and harmony," he said.

Dr Mahathir pointed out that there was no place for extremism in the Malaysian society and extremism was against the principle of all religions.

Malaysia, he said, had a truly democratic process with every citizen

given the right to elect the government through the ballot box without resorting to violence or force of arms or creating chaos.

-- BERNAMA

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