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Mahathir-Measures

GOVT TAKING PRE-EMPTIVE MEASURES TO FACE US ECONOMIC SLOWDOWN

KUALA LUMPUR, March 27 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said the US economic slowdown is expected to have an adverse impact on exports and growth prospects, prompting the government to take pre-emptive measures to sustain growth momentum.

The government would also review its official Gross Domestic Product (GDP) growth estimate of seven per cent for 2001, he told a news conference at Parliament House here today.

Dr Mahathir said since the impact of the US economic slowdown was much greater than anticipated, the government would revise downwards the GDP growth forecast for this year to even five or four per cent, but Malaysia would still be better off than other countries.

He said given the expected deceleration in external demand, the government would adopt pre-emptive measures to increase fiscal stimulus, promote consumption, reduce property overhang, continue with accommodative monetary policies, promote financing of small and medium enterprises, promote the services sector and maintain the ringgit's peg at RM3.80 to a US dollar.

He added that the government would increase the fiscal stimulus by about RM3 billion in addition to the RM28.8 billion already approved under Budget 2001 which is expected to increase GDP growth by 1.1 percentage point.

At the same time, Dr Mahathir said new projects have been identified for immediate implementation which include 200 single session schools at RM2 billion and 193 community colleges in all Parliamentary constituencies.

He added that eleven community colleges would be implemented immediately, at a cost of RM0.9 billion while four universities would be built in Perlis, Melaka, Pahang and Negeri Sembilan at RM1.6 billion.

Construction of 6,600 units of housing quarters for the Malaysian Armed Forces in Kuala Lumpur totalling RM1.5 billion would also be implemented, of which RM400 million would be spent this year.

Oil palm growers would be provided RM600 million in replanting subsidies while special assistance would be given to rubber smallholders.

Dr Mahathir also said the government would undertake earlier implementation of major infrastructure and utility projects such as the Bakun hydroelectric power project.

It would also assist in the implementation of the Pulau Bunting Coal Power Generation Project, the Port of Tanjung Pelepas, Johor and the Westport project in Port Klang.

To ensure that fiscal stimulus have an immediate impact on the economy, a "flying squad" has been established in the Finance Ministry to monitor implementation of these new projects and those already approved, he added.

Dr Mahathir said ministries and agencies are also required to intensify efforts to ensure the speedy implementation of these projects and to assist them, the Finance Ministry has reviewed the government's procurement procedures.

Ministries' Tender Committees can now approve tenders of up to RM30 million and while selected statutory authorities and government companies can approve up to RM50 million.

For restricted tenders, ministries can approve contracts not exceeding RM20 million and for procurement based on price quotation, up to RM200,000, while six selected ministries can approve the procurement of capital

equipment up to RM15 million.

In efforts to promote consumption, Dr Mahathir said domestic demand has to be strengthened to drive growth following the anticipated moderate export growth.

In the 2001 Budget, higher tax rebates have already been given to the low and middle income groups, amounting to some RM434 million to encourage consumption.

Under the new measures, employees' contribution to the Employees Provident Fund (EPF) would be reduced by two percent to nine per cent for a period of one year effective April 1, 2001.

Dr Mahathir said that a reduction of two percent would see a 0.24-0.36 percentage point increase in real GDP.

The government in an effort to promote sale of passenger cars would now allow government employees to apply for car loans every five years instead of the present seven years.

Civil servants who have completed one year of service would now be eligible to apply for car loans.

To encourage the greater use of credit cards, the government has decided to abolish the RM50 tax on credit cards introduced in 1997.

Dr Mahathir said to reduce property overhang of particularly residential units, incentives provided during the previous housing campaigns would be reinstated with immediate effect.

These include the exemption of stamp duty, waiver of processing fee and higher margin of financing.

To discourage new property starts ups, local authorities would not approve any new construction of office and commercial space.

Dr Mahathir said changes would be made to the Foreign Investment Committee's rules and regulations pertaining to foreign equity as well as property and asset acquisition by foreigners.

It is aimed at providing a more liberal environment for foreign investors and to encourage inflow of foreign direct investments.

The government would continue to maintain an accommodative monetary policy to ensure that the private sector continued to have access to funds at a reasonable cost, said Dr Mahathir.

In this aspect, financial institutions are required to achieve an annual loan growth rate of eight per cent.

In addition, Bank Negara would also review the current ceiling for the purchase of shares and unit trusts, he added.

As for small and medium enterprises who need more access to financing, the size of special funds as well as eligibility criteria would be expanded.

Among them, the size of the Food for Fund would be increased by RM300 million to RM1.3 billion, the New Entrepreneur Fund would be raised by RM250 million to RM1.5 billion and the Small and Medium Industries Fund would be doubled to RM400 million.

A RM500 million Entrepreneur Rehabilitation and Development Fund, incorporating rehabilitation measures such as advisory services, new contracts and financial support would also be established.

In addition, the lending rate to borrowers for the Food-For Fund would be lowered to 3.75 per cent while that for the New Entrepreneur Fund would be reduced to 5.5 per cent and that for the Small and Medium Industries Fund to 5.5 per cent.

In promoting the services sector, measures would be undertaken to enhance income, revenue and foreign exchange by promoting tourism more aggressively, particularly from Asean, West and East Asia, and India.

Malaysian Airports Holding Bhd would aggressively promote the KL International Airport as a regional hub while the government would continue

to encourage full utilisation of ports and port-related activities.

As for the ringgit, Dr Mahathir said to ensure a continued environment of predictability and certainty, the government would maintain the ringgit's peg against the US dollar.

If the US economic slowdown is sharper than anticipated, the Prime Minister said that the government was prepared to undertake further measures, including bringing forward the implementation of selected projects approved under the 8th Malaysia Plan.

Government departments and agencies are, therefore, required to prepare a package of projects that can be implemented immediately if additional stimulus becomes necessary, Dr Mahathir said.

To complement the measures by the government, he also urged the private sector to respond positively to ensure the success of the policy package.

He said the private sector should aggressively enhance productivity, reduce cost and improve product and service-quality in order to remain competitive.

-- BERNAMA

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