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RM3b boost for economy (HL)

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KUALA LUMPUR, Tues. - Datuk Seri Dr Mahathir Mohamad today announced a package of "pre-emptive measures", worth RM3 billion, to sustain the country's growth momentum in the face of a slowdown in the United States economy.

Among new projects identified for immediate implementation are 200 schools, 193 colleges, four universities, 6,600 houses for soldiers, RM600 million in oil palm replanting subsidies and special assistance to rubber smallholders.

The Prime Minister said the Government would implement infrastructure and utilities projects, including the Bakun Hydro-electric Power Project and assist in the implementation of the Pulau Bunting Coal Power generation Project and Pelabuhan Tanjung Pelepas, Johor, as well as the Westport Project.

There are new measures to encourage domestic consumption and plans to liberalise the regulations on equity, property and asset investment by foreigners.

Measures to encourage spending include cutting the workers' contributions to the Employees Provident Fund to nine per cent from 11 per cent and abolition of the RM50 tax on credit cards introduced in 1997.

The reduction in the EPF contributions covers 9.7 million contributors.

Government employees will now be eligible for car loans every five years instead of seven years at present. In addition, they will be eligible for car loans on completion of one year of service.

Announcing this at a news conference in Parliament House, Dr Mahathir said the US slowdown, which might be greater than earlier anticipated, is expected to impact adversely on Malaysia's exports and growth prospects.

"Under these circumstances, the Government has to take pre-emptive measures to ensure that the growth momentum is sustained."

The Government will increase the development expenditure by about RM3 billion in addition to the RM28.8 billion already approved under the 2001 Budget.

This additional spending is expected to raise GDP growth by 1.1 per cent. The Government has forecast GDP to grow by seven per cent this year, but Dr Mahathir said the figure was being revised and details would be announced when Bank Negara releases its annual report tomorrow.

A new RM500 million entrepreneur rehabilitation and development fund would be set up to improve financing for small and medium-sized industries.

To further improve access to financing, especially for small and medium enterprises, the size of existing special funds and eligibility criteria will be expanded.

Dr Mahathir said a "Flying Squad" has been established in the Finance Ministry to closely monitor the implementation of these new projects and those already approved to ensure that the fiscal stimulus had an immediate impact on the economy.

He promised that in the event the slowdown in the US is sharper than anticipated, the Government is prepared to undertake further measures, including bringing forward the implementation of selected projects approved under the Eighth Malaysia Plan.

Dr Mahathir called on the private sector to respond positively to the stimulus package to ensure its success.

"In this regard they should aggressively enhance productivity, reduce costs and improve product and service quality in order to remain competitive."

On Sept 1, 1998 the Government introduced several measures to counter the regional economic slowdown.

It had, among others, imposed selective exchange control and pegged the ringgit to the US dollar (US\$1 to RM3.80). This was done to curb speculation of the ringgit. The selective exchange control received criticism from many parties, especially the International Monetary Fund.

However, they later acknowledged this measure after it proved effective in improving Malaysia's economy.