

IT'S YOUR TURN

Private sector must take the lead again, says Mahathir

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PUTRAJAYA: The private sector, which has been lethargic in recent years, will be the engine of growth in the 2003 Budget.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who would present the Budget in September, said it would focus on efforts to propel the private sector back to its pre-1998 financial crisis role.

The adoption of the strategy, he

said, was timely because the private sector's performance of late had been "less than dynamic."

"Its investment drastically dropped last year by 39% from the level it was in 1997.

"If this trend continues, the long and medium-term potential growth of our economy will be severely affected," he said in his speech at the start of the first pre-Budget dialogue at his office yesterday.

Pre-budget meetings normally

run over three sessions with relevant ministries and associations to discuss macro-economic development and social issues, but a fourth session would be held this year with chief ministers and Members of Parliament.

The theme of this year's Budget dialogue is *Promoting a Dynamic and Resilient Private Sector*.

Yesterday's session was attended by representatives from universities and research institutes,

chambers of commerce and industry and individuals.

Dr Mahathir, who is also Finance Minister, said that since the financial crisis, the country's economic growth had been largely driven by the public sector through the introduction of various fiscal stimulant packages.

This, he said, had resulted in the Government suffering a deficit.

"Although the level is manageable and the cautious financial

management approach is still in place, the Government does not plan to continue to practise an expansionary Budget policy.

"The country cannot continuously depend on the public sector to stimulate the economy," he said, adding that the involvement of the private sector needed to be further enhanced.

The private sector, said Dr Mahathir, needed to rebuild its

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capabilities and confidence towards boosting the country's competitiveness, efficiency, creativity and productivity.

He said this meant that those in the private sector must be willing to take bigger risks by grabbing whatever business opportunities that come their way in this era of globalisation and liberalisation.

He said the country had managed to maintain positive growth compared with several countries in the region.

"In the first quarter of the year, the economic growth expanded to 1.1% compared with 0.9% in the third quarter and 0.5% in the fourth quarter of last year.

"This is due to the active growth in the service and property sector followed by an increase in domestic spending.

"Our international reserves, as at the middle of this month, had increased to RM124.5bil, equivalent to five times our short-term external debts.

"The country has maintained its trade surplus for 53 consecutive months since November 1997," the Prime Minister said.

Dr Mahathir said the stock market had also regained the confidence of the business and investor community and its performance had improved to a point where its composite index had surpassed that of the stock exchanges of many other countries.

The issuance of bonds by the Government in the international market, he said, had received very good response with the US\$750mil (RM2.85bil) bond issued early this year being seven times oversubscribed.

Recently, he said, Petronas issued a bond in various currencies valued at US\$2.68bil (RM10.1bil) and this was oversubscribed by 3.4 times from the original offer of US\$1.46bil (RM5.5bil).

"This, to date, is the highest sale of corporate bonds in Asia with the exception of Japan," he added.

Dr Mahathir said the positive investment climate had attracted many new investors although the country's corporate tax remained higher than that of some neighbouring countries.

However, he said the Government realised that a low taxation regime did not necessarily guarantee that a country could attract investors.

"Although our corporate tax is considered high by some people, if tax exemptions and various incentives are taken into account, effectively, the real rate is among the lowest.

"And in making their decision, apart from pragmatic policies and efficiency in economic management, foreign investors will also take into account infrastructural facilities, good services, including those in the tourism, education, health, finance and transportation sectors in the country that they plan to invest in," he added.