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MAHATHIR-BUDGET (PC)

COUNTRY'S GROWTH MUST BE DRIVEN FROM DOMESTIC SOURCES, SAYS DR MAHATHIR

KUALA LUMPUR, Sept 20 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today reiterated that the country's growth must be domestic-driven and generated by local resources as well as greater domestic investment activities.

"We find that we are too dependent upon foreign trade, foreign direct investment (FDI) and outside business whereas in many countries foreign trade, although a big element, is not a big percentage of the Gross Domestic Product," he said.

He said because of that, the government needed to increase domestic contribution towards the GDP and at the same time not reduce (foreign) trade.

Dr Mahathir was speaking to reporters after tabling a 2002/2003 Budget at the Parliament House today.

When asked on the factors that had been accounted for the relatively higher forecast for next year's GDP, Dr Mahathir said the service sector and manufacturing sector were expected to be the main contributors to the increase GDP and higher growth.

"For one thing, the low GDP this year will make it much easier (for us) to achieve higher growth. We have studied plans, orders, order books and all that.. there are demands, which help our manufacturing industry to grow, and obviously the trend with regards to service industry is also very good," he said.

Earlier in his presentation, Dr Mahathir announced that the government was confident that the nation would achieve higher economic growth in 2003, based on the strategies and measures proposed in this Budget as well as the stronger recovery of the private sector in generating economic activities.

GDP is estimated to grow between 6.0 to 6.5 percent.

When asked to comment on whether Malaysia will be pressured for not imposing lower corporate tax when compared with other economies like Japan, South Korea and Thailand, Dr Mahathir said tax rates including corporate tax in other countries might be low but they still imposed tax on dividends.

In Malaysia's case, he said the government did not impose tax on dividends unlike Taiwan which imposed tax on dividends of 30 percent, Japan 30 percent and Thailand 10 percent.

"If we add them up, their tax will not be so low, based on studies that have been conducted (by Malaysia), the tax rates in those economies are not as good as they appear to be," he said.

Dr Mahathir said many perceived that a low corporate tax regime would attract foreign FDI to Malaysia, but it was not necessarily true.

When asked to explained on why there is a drop in (investment) applications through MIDA, Dr Mahathir said that was not because of tax rates as Malaysia had been successful in attracting FDI even when the corporate tax regime were higher, at 40 percent (in the 1980s).

"When (tax) rate is high as 40 percent, investments were still coming in but now when the rates is 28 percent, everybody is feeling the pinch because the amount of FDI has shrunk.

At the same time, he said more investments were now directed to China even if the government imposed lower tax rates.

Furthermore he said, the government wanted to be selective in choosing investment, adding that "we don't want anymore labour intensive

industries."

On the pegging of the ringgit, Dr Mahathir said the government had never received any complaints from the business circle. -- BERNAMA

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