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Mahathir-Budget

STIMULATING DOMESTIC BUSINESS, BONUS FOR CIVIL SERVANTS

KUALA LUMPUR, Sept 20 (Bernama) -- Datuk Seri Dr Mahathir Mohamad today tabled the 2003 Budget which focuses on efforts to stimulate domestic business and industrial activities to generate higher economic growth.

The Prime Minister, who is also Finance Minister, also outlined measures to further reduce the cost of doing business to enhance the country's competitiveness.

"I do not intend to propose any increase in taxes neither introduce new ones. However, to ensure that the government will have adequate financial resources to finance its expenditure, efforts will be intensified to enhance tax compliance," he said at the Dewan Rakyat here.

In tandem with the policy to promote domestic investment, he proposed that the corporate tax rate for small and medium scale industries (SMIs) with paid-up capital of RM2.5 million and below be reduced from 28 per cent to 20 per cent on chargeable income up to RM100,000.

And Dr Mahathir brought smiles to the faces of the nation's close to one million civil servants when he announced that they would be receiving a one-month bonus or a minimum of RM1,200.

To put into motion the government's decision to implement the teaching of Science and Mathematics in English in schools, Dr Mahathir said that the government would provide an allocation of nearly RM5 billion from 2002 to 2008, with RM978.7 million to be spent this year and 2003 on equipment such as notebook computers and LCD projectors.

The Prime Minister said that the proposed 2003 Budget of RM109.8 billion represented an increase of 9.2 per cent compared with the original allocation in 2002. Of this, RM72.84 billion is for operating expenditure and RM36.96 billion for development expenditure.

With revenue estimated at RM89.79 billion, the federal government's overall account is expected to register a deficit of 3.9 per cent of gross domestic product (GDP), lower than the 4.7 per cent in 2002.

Dr Mahathir said that the two-year Budget preparation was to ensure the smooth implementation of development projects as implementing agencies would have lead time to plan and carry out projects.

For this purpose, he said, an allocation of RM985 million was provided to various ministries to commence preliminary works this year and undertake physical implementation in 2004.

Explaining the rationale of accelerating domestic business and industrial activities to enable Malaysia generate higher growth, Dr Mahathir said that the country could emulate the high purchasing power of people in small countries in Europe like Switzerland and Luxembourg.

These countries, he said, had smaller population than Malaysia's 24 million and yet they had managed to become developed nations.

He said that Switzerland, with a population of three million and Luxembourg with less than one million, had higher per capita income of about US\$44,000, meaning that every citizen of the two nations contribute US\$44,000 to their economy.

"On the other hand, each Malaysian only contributes US\$4,000 to our economy. If Malaysians can increase productivity, the nation's GDP and our competitiveness will also be enhanced. At the same time, our per capita income will also increase," he said.

Towards this end, he said that the 2003 Budget would focus on these strategies:

- \* Increasing domestic investment in all sectors with growth potentials;
- \* Identifying and venturing into niche areas in the services, agriculture and manufacturing sectors;
- \* Strengthening public sector finance and enhancing efficiency of the civil service;
- \* Nurturing a progressive and harmonious society with high moral values and ensuring the well-being of the rakyat, especially in rural areas.

With the impetus for growth emanating from domestic economic activities in line with the Budget strategy which emphasised domestic-led growth, Dr Mahathir said that Malaysia's GDP was estimated to grow between 6 and 6.5 per cent in 2003.

He said that the increasingly challenging domestic and external environment demanded sacrifices and courage to undertake a shift in the country's macroeconomic management policies.

As such, he said, development policies and strategies in the 2003 Budget was the first step toward implementing this new approach.

"In this recovery process, we must be agile to act fast and respond to changes in our environment. Only with courage to implement measures, although unorthodox, can we safeguard the nation and overcome all challenges," he said.

Turning to the state of affairs of the world a year after the Sept 11 attacks on the United States, Dr Mahathir said that it had prompted the international community, especially the super powers, to declare an all-out war against terrorism.

Noting that to them, terrorism was confined merely to physical attacks on countries and their people, the Prime Minister said that, in actual fact, their economic onslaught on developing countries which had brought unrest, miseries and the downfall of governments was equally violent.

"In fact, the remedies which they prescribed, destroyed these nations.... Those who benefited were the currency speculators. Indeed, economic terrorists do not differ from other terrorists," he said.

Dr Mahathir said that as a trading nation highly dependent on international trade, Malaysia was vulnerable to the economic performance of its major trading partners with its international trade twice its GDP compared with developed nations such as Japan and the US.

He acknowledged that the further deterioration of the US economy in the aftermath of the Sept 11 incident had affected Malaysia's economic performance.

The Prime Minister said that the economy of the US, Malaysia's largest trading partner, again came under pressure with the Enron and Arthur Andersen accounting scandal which had eroded investors' confidence in the corporate governance of US companies.

Taking a swipe at analysts and the international media for dismissing such accounting malpractices as only a few bad apples, he said: "When this occurred in developing countries, they labelled it as lacking in integrity and transparency among certain nationalities."

Those people, he said, could learn from developing countries in addressing problems in financial and corporate sectors where Malaysia and other nations in the region were ahead of others in corporate governance.

"We have adopted principles of best practice that emphasise transparency and separation of powers to ensure accountability and safeguard the interests of shareholders," he said.

On the other hand, Dr Mahathir described the rich and powerful nations as "akin to crabs, teaching their offsprings to walk straight."

Apart from spurring domestic economic activities, Budget 2003 also proved to be sensitive to the well-being of the rakyat.

In line with the "family first" values, Dr Mahathir said that the

government would increase the paternity leave from three to seven days to assist their wives and children in household chores.

"Should have more children then," he said with a grin and was applauded by government backbenchers.

In addition, to enable civil servants to take care of family matters during the demise of their immediate family, they will be given three days of unrecorded leave.

The government also had the welfare of single mothers earning less than RM600 per month in mind by giving them priority to own low-cost houses.

Furthermore, the plight of those who are unable to afford the treatment of chronic diseases which are frequently highlighted by the media also caught the attention of the government.

"We are often touched by pleas for financial assistance from those who are unable to afford the treatment of chronic illnesses. The treatment costs are usually high and cannot be borne by those in the low income group while public donations are insufficient," he said.

To address this matter, Dr Mahathir said that the government would provide a ringgit for ringgit matching grant and would set up a fund with an initial amount of RM100 million specifically for those in the lower income group or for children whose parents earned less than RM600 per month.

The Prime Minister said that to further improve the housing programme for the hardcore poor, the government intends to expand the Housing for Fishermen Families programme launched recently in Terengganu to other states through a special fund.

The government's caring side was also evident when Dr Mahathir announced that for children from poor families, it would spend RM470 a year for each primary school pupil under the programme to supply food supplement and textbooks loan as well as school uniforms and others.

In addition, to reduce the burden of poor families, he said that the government proposed to provide a one-off allocation of RM120 a year in cash for every student from such families to buy uniforms and school paraphernalia.

Presenting the budget for about two hours and 40 minutes, Dr Mahathir said that this involves an annual expenditure of RM87.8 million and will benefit 730,000 students.

"Apart from these facilities, the government is considering to provide tuition vouchers to these children to enable them to get tuition from teachers willing to give special classes outside school hours," he said.

Concerned over the welfare of retrenched workers, Dr Mahathir proposed that the income tax exemption on retrenchment benefits be increased from RM4,000 to RM6,000 for each year of service.

Dr Mahathir also talked at length about enhancing the standard of living of the rakyat in rural areas with RM2.56 billion allocated for rural development in 2003.

He said that apart from providing infrastructure facilities, the government would endeavour to develop rural community that was capable of earning income no less than that of the urban population.

In this connection, he said that the government would introduce the "One Village, One Industry" involving the development of small industries requiring between 10 to 100 workers.

Elaborating on measures to be taken to achieve excellence in education, Dr Mahathir said that the government would allocate RM850 million to implement single-session schools so that students would have more time not only for academic lessons but also for co-curriculum activities.

"Hence, our children will spend more time in schools, thereby preventing them from becoming involved in unhealthy activities," he said.

Expressing concern over the worsening social ills among youths, Dr Mahathir said that the Rakan Muda programme would be enhanced with a new approach to increase its effectiveness with an allocation of RM12.3 million.

On the sporting front, the Prime Minister said that the government was proud of the success achieved by the national contingent at the recent Commonwealth Games in Manchester which brought back seven gold medals.

He advised Malaysian sportsmen and women to treat the forthcoming 14th Asian Games in Busan, South Korea as a challenge to prove that Malaysia could still attain greater success.

"I have tabled various strategies and measures in Budget 2003, which to me, are people-friendly. Let there not be those who regard this an Election Budget.

"The Barisan Nasional Government still has ample time to continue to govern the nation," he added.

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