

# Boost private sector growth

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WHAT could possibly be in store in the 2004 Budget? Some are pinning hopes on Prime Minister Datuk Seri Dr Mahathir Mohamad to unveil a people-oriented budget, packaged with goodies for the rakyat and incentives for investors. Political observers and analysts are more inclined to label it as an "election biased" budget as the general election could be months away. So to speak, it may be a "parting gift" for all Malaysians before he retires next month.

Here again, the budget is confronted with a complexity of objectives. Resources are limited and hence, careful consideration and planning is required. The immediate and major challenge for 2004 is strengthening growth momentum. The Government's pre-budget dialogue had market analysts believing that it is going for the seventh consecutive year of budget deficit since 1998. Investors at large would surely keep an eye on the size of the budget deficit (concerns over its sustainability), which sectors would be getting a bigger slice of total budget allocation and so forth. From the perspective of fiscal sustainability, the Government's immediate policy consideration is on fiscal consolidation, trimming down the deficit levels over the medium term.

Following years of pump-priming the economy, government policies should be directed at providing an enabling environment for the private sector to resume the lead role in driving growth. The government would act as a facilitator. The focus is on a dual-track growth strategy, balancing between the external sector and domestic demand. Policies would be directed at mobilising domestic sources of growth, focusing on the services sector, SMEs, agriculture and rural development as well as housing.

Competitiveness and productivity enhancement hold the key to strengthening our country's resilience. The fiscal policy should be targeted at alleviating the cost constraints faced by businesses (and households), and in so doing contribute to stronger profits and improvements in balance sheets. This contrasts with an active counter-cyclical policy to

fill the gap in aggregate demand. Some efforts have been taken to enhance the effectiveness of the public delivery system.

We hope to see fiscal and non-fiscal measures to improve procedures and processes and hence, contributing to lower cost of doing business.

Regional competition intensifies in terms of attracting international capital flows. Multinational export-oriented companies are going in a big way to China. While Malaysia retains its competitive edge, there is room to further strengthen the country's external competitiveness. The way forward is to have a competitive corporate tax rate to reward greater private sector initiatives.

Alternatively, the government may consider a policy intent statement on the phased reduc-

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tion in corporate tax cut schedule. This provides certainty in tax rates and would help to spur both domestic and foreign investments. A continual review and fine-tuning of investment policies and incentives to make them stay relevant is crucial to realign our competitiveness against competitors. A pro-business and investor-friendly policy is in line with the concept of Malaysia Inc. The liberalisation of Foreign Investment Committee guidelines is a big step forward to further enhance the nation's competitiveness in attracting FDI.

Fostering a freer trade and market environment should continue to ensure the optimal utilisation of resources. Further trade liberalisation will result in the restructuring of domestic companies as well as to provide an avenue for them to remain competitive. Transparency in the systems and procedures governing imports will improve efficiency of the manufacturers (reduce business cost).

Consumers would benefit from more competitively-priced goods between local and imported products. Towards this end, a timely announcement of a clear policy guideline with respect to the new duty structure on the motor sector is certainly positive to both consumers and industry players.