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MAHATHIR-BUSINESS

DR MAHATHIR'S PRESCRIPTIONS HELP LIFT MALAYSIAN BUSINESS TO GREATER HEIGHTS

By: Yong Soo Heong

KUALA LUMPUR, Oct 28 (Bernama) -- If one were to look at the contributions of Datuk Seri Dr Mahathir Mohamad to the country from the economic standpoint as prime minister for 22 years, most people, if not all, would be able to readily identify the tangible or visible ones.

These would include his road map for developed nation status in Vision 2020, the North-South Expressway, Multimedia Super Corridor, Petronas Twin Towers and Kuala Lumpur International Airport.

Or the privatisation of government agencies like Telekom Malaysia Bhd and Tenaga Nasional Bhd, kick-starting the national car and motorcycle projects of Proton, Perodua and Modenas, establishing the Labuan International Offshore Financial Centre and transforming Langkawi into a top tourist draw.

Or the fact that he is Malaysia's number one super salesman as he had brought scores of local businessmen on his official trips abroad to "break the ice" for them in far-flung and untapped markets. Many of the far-sighted local corporate leaders would readily attest that they had benefitted from the fact that Dr Mahathir had opened the doors to their success.

Today, Malaysia has become one of the world's top trading nations and has even successfully embarked on exporting its expertise in infrastructural development.

Even for tourism it was Dr Mahathir who made a stark difference when he made a big push for the industry way back in 1984. This was when the tagline of "To know Malaysia is to love Malaysia" was first introduced. That push has since brought immense benefits to Malaysia's tourism industry.

But what about the intangibles or not-so-visible ones? It is in this area that he has perhaps effected tremendous change to Malaysia's business environment, especially in improving business conditions and offering tax incentives for investors and entrepreneurs.

He initiated the Malaysia Incorporated concept where he expounded the benefits to the country through the symbiotic co-operation between civil servants and the business community.

Even before he became prime minister, he had brought significant change when as Deputy Prime Minister and Trade and Industry Minister, he introduced the setting up of a one-stop agency for investments via the Malaysian Industrial Development Authority (MIDA). Instead of having investors and entrepreneurs go to several government agencies for approval, the one-stop agency idea was one of the early signs of his reformist approach as he had always been a strong advocate of keeping the cost of doing business down.

From the point of view of taxes, he has done wonders with Malaysia's tax regime, which has translated the country into one of the most attractive investment destinations, both for foreign and local business entrepreneurs alike.

He had effected a number of changes to direct and indirect tax incentives and they include the granting of pioneer status whose strong points were the offer of generous tax holidays, the investment tax allowance, industrial adjustment allowance and infrastructure allowance

Even Pakistan's president Pervez Musharraf recently commended Dr Mahathir for these reforms as they had brought visible gains for Malaysia.

Since he assumed office in 1981, Dr Mahathir has overhauled Malaysia's tax regime by slashing the corporate income tax from as high as 50 percent in the 1970s to 28 percent presently, making Malaysia very business-friendly indeed.

As far as personal income tax is concerned, he brought it down from as high as 60 percent for the top bracket to 28 percent currently.

This is certainly remarkable as every percentage point cut in today's terms translates into a loss of revenue of about RM900 million for the government.

In 1980, the government collected direct taxes amounting to RM5.45 billion while indirect taxes totalled RM6.4 billion.

But in 2004, direct tax is estimated at RM47 billion while indirect tax are estimated at RM125 billion.

Tax consultant Yong Poh Chye says that when indirect tax far exceeds direct taxes, it shows that the country is moving towards developed nations status.

Dr Mahathir was also instrumental in pushing for a strengthened local banking sector and bringing Islamic banking to greater heights.

Not to be forgotten is also his call for Malaysians to migrate towards the knowledge-based economy in the face of stronger competition from lower-cost manufacturing countries and to maintain the country's march towards developed nation status by 2020.

Perhaps Dr Mahathir's greatest feat for the business community and, perhaps for every Malaysian, was to go against what was perceived then as conventional wisdom by introducing selective capital controls and the ringgit peg on Sept 1, 1998 when Malaysia was in the throes of the regional financial crisis.

Prior to this, the International Monetary Fund (IMF) had been adamant that Malaysia toe its line and swallow its prescribed medicine of tight monetary policies and a host of other unpalatable measures.

Initially the IMF was concerned that the selective exchange controls might be used to avoid policy adjustments and its initial misgivings caused investors and market analysts to react negatively.

But in a working paper entitled, "Malaysia: From crisis to recovery", the IMF acknowledged that market assessment later turned more positive when it became clear that Malaysia's macroeconomic policies were not out of line and that the undervalued pegged exchange rate was actually contributing to the rapid recovery of exports and output.

Today, nothing can be more satisfying to see the IMF praising Malaysia in the aftermath of the crisis when it even said that the controls and the ringgit peg were the key policy measures that distinguished Malaysia from the rest of the crisis-hit countries like Thailand, Indonesia and South Korea.

Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz also said Dr Mahathir's dynamic leadership in handling the crisis would be his lasting legacy for the country.

How did Dr Mahathir pull it off when the chips seemed to be down at that time? How did he decide what should be his priorities?

Perhaps the answer as to why and how Dr Mahathir has been effective in dealing with a myriad of challenges lies in his background as a medical practitioner.

By being a doctor has enabled him to diagnose better in any given situation, he said.

In his book, "New Deal for Asia", he revealed that when he was an active practitioner, he used to be able to diagnose patients very quickly.

This training, he said, became useful to him in politics where one needed to constantly gauge people's reactions and must be able to

differentiate what was the truth or otherwise.

He wrote: "Doctors go through the process of observing a patient, recording his or medical history, then you make a physical examination, do lab tests, and finally arrive at a diagnosis. The process is basically the same in politics.

"When I encounter a political problem, I go through the routine of observing all aspects of the problem, including its historical dimensions, analysing it in detail to identify all the signs and symptoms, then I do 'lab tests', and finally I reach a conclusion and prescribe a course of action." -- BERNAMA

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