

13/09/2003

Consolidating for expansion

PRIME Minister Datuk Seri Dr Mahathir Mohamad presented a Budget to the nation that is realistic and yet bold to sustain the people's livelihoods while maintaining economic growth and financial stability. The Budget bears the hallmarks of Dr Mahathir's vision that Malaysia must continue to strengthen its resilience and rely on its own ingenuity and resources to achieve the goal of becoming a developed nation. As in past Budgets, priority is placed on education, health, rural development and skills enhancement. The social agenda and accent on healthier lifestyles continue, for example, with the proposed abolition of the 10 per cent import duty on health supplements. Given their traditional importance, the modernisation of agriculture and the food sector is also emphasised.

Malaysia's fundamentals remain sound, with the cheering news that the country's economic growth forecast for 2004, at 5.5-6 per cent, is higher than the 4.5 per cent expected this year, which is itself above the 4.1 per cent recorded in 2002. This increasing growth trend is proof of the high standard of our economic management given the sometimes difficult external environment, most recently buffeted by the Iraq war and the Severe Acute Respiratory Syndrome (SARS) outbreak. It was, however, fortunate that the Iraq war was short and SARS was effectively contained, thus limiting the damage. The adverse impact was also cushioned by the stimulus package in May which kept economic activity robust.

The Government is taking decisive steps in fiscal consolidation, by cutting the overall Federal Budget deficit as a proportion of GDP to 3.3 per cent in 2004 from 5.4 per cent in 2003. Deficit spending as a means to finance economic expansion cannot be sustained indefinitely and this is why balancing the Budget remains a near-term objective. The domestic private sector now has to play the vital role as the engine of growth. Private sector investment is projected to jump 9.9 per cent in 2004 as against two per cent this year. With low interest rates, domestic consumer spending is being induced to help stimulate growth. The services sector continues to shine. The Government, which is already business-friendly, is making the environment even more conducive, with additional policy initiatives and tax incentives, for the private sector to invest and businesses to thrive and grow. Small- and medium-sized enterprises are being called upon to contribute more to economic growth and the country's exports.

The private sector must heed Dr Mahathir's call for Malaysian companies to be daring and produce high-quality goods on a larger scale for the world market. Malaysians must have their own world-class brands. Local companies should spend more on their own R&D to complement the Government's substantial effort in up-grading science and technology. The new areas of IT, biotechnology and other high-tech industries also require greater investment of private enterprise.

In unveiling his last Budget, Dr Mahathir has again reminded Malaysians not to be lulled into complacency, urging them to be prepared to face challenges and brace themselves for future tribulations. Malaysia's economic helmsmanship since the 1997 financial crisis and the consistency and heft of its policies have been commended even by erstwhile critics, such as the International Monetary Fund. Budget 2004 maintains the Government's tradition of pragmatism and financial prudence, against both crisis and political convenience.

