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PM: See the bigger picture (HL)

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KUALA LUMPUR, Thurs. - Critics of the economic stimulus package announced yesterday should look at the bigger picture, including the RM2 billion a year in liquidity arising from the two per cent cut in Employees Provident Fund contributions, Datuk Seri Dr Mahathir Mohamad said today.

The Prime Minister said they should try to see how the measures could help stimulate the economy.

He said the reduction in contributions from 11 to nine per cent had been described by some as meaningless as people "would only have an additional RM10 to spend".

Dr Mahathir, who is Finance Minister, said RM10 a month might be a small figure but when multiplied by the country's seven million workforce, the total was substantial.

"The total for a year will be RM2 billion. The aim is to pump in more funds as it will help stimulate the economy."

Dr Mahathir, who is Umno president, was speaking at a Press conference after chairing the party's supreme council meeting at Menara Dato' Onn.

Noting that the package was generally well-received, he said criticism came from those who did not understand the effect of such a small reduction on the economy.

"We should look at the bigger picture. Also, not everyone will have RM10 more every month."

Dr Mahathir said people would have more money to spend, adding that the move was only temporary.

On the contention that the 0.5 per cent cut in the intervention rate would affect the profit margin of banks, Dr Mahathir said he did not see how that would happen.

"No, it does not affect their margin. Banks work on the basis of margin; if you fixed the rate at six, they will add three per cent. And if you fixed the rate at five, they will still add three per cent. So I don't see how they can lose, it is still the same."

That was why the Government had impressed on banks the need to pass the benefits to borrowers.

On claims that it was an election economic package, with civil servants given a half-month bonus, Dr Mahathir said: "We are facing a slowdown and one way to overcome this is by having an expansionary budget and another approach is for the people to spend more, to help increase demand."

On whether government servants could expect another bonus at the end of the year, the Prime Minister quipped: "Well, if the Government goes bankrupt at the end of the year, then we will not give. But so far, when we promised, we paid."

The Prime Minister said the council also discussed the intake of Bumiputera students into public universities and colleges for the new academic session which saw a decline in percentage as compared to last year.

Dr Mahathir attributed this to the merit system being practised for university admission.

"It seems non-Bumiputera students have worked harder to get better results, so although their number is small than the Bumiputera students, their percentage has increased. So I hope parents and teachers will work hard to ensure Bumiputera students excel."

Dr Mahathir explained that although 48,000 students were eligible to

enter universities, only 32,000 could be taken in due to limited places.

"This means some students have good results but still not good enough compared to the 32,000 accepted. Some are not accepted into certain courses although they qualified because there are other better students than them."

He said a match had to be struck between courses taken by students and the country's needs.

Citing medicine as an example, he said though the country needed more doctors, it also had to churn out more nurses, pharmacists and others.

"If we concentrate on producing more doctors only and not the others, then it will cause a distortion."

On his meeting with enforcement agencies today with pirated and the pornographic VCDs scourge topping the agenda, Dr Mahathir said there was need for those involved to strengthen co-operation due to the limited ability of enforcement officers to wipe out the menace.

"We noticed that there is a sort of explosion among people disregarding the country's laws. We need to conduct a study as to what is happening and the best way to deal with this problem."

Asked whether the lack of continuous enforcement had contributed to the proliferation of pirated VCDs, illegal immigrants and other ills, Dr Mahathir said:

"The problem is sometimes the law is not too clear on who is responsible to act. Also, some of the existing laws are outdated, inadequate and poorly misinterpreted.

"So, we need to clean up all these things and enhance co-ordination in enforcement."

Dr Mahathir was also asked about the Severe Acute Respiratory Syndrome outbreak which was beginning to strain relations between Malaysia and Singapore.

The republic has also introduced a S\$1,000 deposit for foreign students leaving the republic.

Dr Mahathir said he was confident the ruling did not apply to Malaysian students only.