

## **Najib defends move to slash subsidies**

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The government's subsidy rationalisation is not a measure to eliminate subsidies but to provide reasonable amounts of subsidy to eligible and needy target groups and sectors, Najib Razak said today.

The prime minister said Malaysia provided among the largest amounts of subsidy in the world for daily essential goods such as sugar and rice, and this did not even include the indirect subsidies given to the education and health sectors.

"The welfare of the people is the highest goal in the administration of the country," he said in his speech at the investiture in conjunction with the birthday of Yang di-Pertuan Agong Tuanku Mizan Zainal Abidin, at Istana Negara.

Najib said a decision which seemed popular might not necessarily be the best measure for the longer term and, as such, in managing the national economy it was important to avoid excessive expenditure.

"In the interest of the people and country, a responsible government will find solutions and make choices for the well-being of the people, not only in the short and medium terms but also in the long term," he said.

### **Only two out of 12 mil workers pay taxes**

The prime minister said decisions, for example, to slash and raise taxable income and provide an average subsidy without regard for target groups might elicit rave response at times, but they might invite problems later.

"In fact, when only less than two million of the 12 million workers pay taxes, the two million taxpayers will subsidise the majority who do not pay taxes. This will pose more challenges, particularly when health and education services are relatively free.

"Malaysia is not a major power which can print fiat money," he said. (Fiat money is money which has no intrinsic value and cannot be redeemed for any commodity, but is made legal tender through government decree.)

Najib said dependence on natural resources such as petroleum and natural gas would not be for perpetuity, adding that the people should be grateful that the country had a well-managed national petroleum company and the government was able to maximise the profits.

"However, these resources are on the decline. Evidently, much more capital has to be expended to seek new resources," he said, adding that one must realise what would happen to the country if the economy was not well-managed.

### **Avoid going down the Greek road**

Najib cited Greece, a developed nation which faced a budget deficit of 10 percent of GDP and debt-to-GDP ratio of 137 percent as well as a 14 percent unemployment rate.

"Without prudent management, some 110 billion euros or RM477 billion, equivalent to 2 1/2 times Malaysia's cumulative budget, was needed for its (Greece's) bailout," he said.

He also cited Ireland which faced a budget deficit of 32 percent of GDP last year and a debt to GDP ratio of 113 percent as well as a 15 percent unemployment rate, and said that country needed 85 billion euros or RM369 billion, equivalent to 1 1/2 times Malaysia's cumulative budget, for its bailout.

"Reportedly, both Greece and Ireland may need a second bailout," he said.

Najib said the Malaysian government would always be responsible and not act rashly or even seek popularity which would be to its detriment.

"Every decision is studied, considered and scrutinised with prudence for the welfare and prosperity of the people," he said.

- Bernama

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