Malaysia will delay plans to cut state subsidies to allay inflation fears and allow more time for public feedback, a minister said. The government may now phase out subsidies on essential items, from flour to highway tolls, &#65533;gradually&#65533; within three to five years, Minister for Domestic Trade and Consumerism Ismail Datuk Sabri Yaakob said in a telephone interview today. New proposals will be presented to Cabinet this morning by Datuk Idris Jala and Tan Sri Dr Koh Tsu Koon, both ministers in the Prime Minister&#65533;s Department, he said. &#65533;The government does not plan to implement the subsidy rationalization plan anytime soon or from June 1, 2010,&#65533; Ismail Sabri said. &#65533;It&#65533;s not immediate.&#65533; Malaysia spends about RM73 billion (US$22 billion) a year on subsidies, Prime Minister Datuk Seri Najib Razak said on April 6, calling the amount &#65533;not sustainable.&#65533; The government aims to narrow its budget deficit to 5.6 per cent of gross domestic product this year from a 22-year high of 7 per cent in 2009.
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&#65533;We have to get feedback from the public from tomorrow as to whether the government should reduce subsidy gradually within three or five years,&#65533; Ismail Sabri said. &#65533;Public feedback is very important for us to make the final decision.&#65533; Malaysia pays suppliers to keep many consumer goods below their true market values. The decades-old system, aimed at helping the poor, has also benefited the rich and encouraged smuggling to neighboring countries where prices are higher. An attempt to reduce the amount the state pays to cap fuel prices caused inflation to surge to a 26-year high in 2008 as gasoline became more expensive. &#65533;We also have to take into consideration on inflation as we don&#65533;t want to see it rising drastically,&#65533; Ismail Sabri said. &#65533;At the same time, we also need to maintain our competitive level that was just achieved by Malaysia.&#65533; -- Bloomberg &#65533; Source: http://www.btimes.com.my/articles/20100526100051/Article/