

Getting to root of deficit woes

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KUALA LUMPUR, Tues. — 'Malaysia will aim for greater efficiency, particularly in the production of import substitutes and competitively-priced and quality exports, to tackle the problem of invisibles trade deficit, Datuk Seri Dr. Mahathir Mohamad said today.

The country will not resort to protectionism to tackle this problem which has been "growing like a cancer", the Prime Minister told participants at a two-day seminar on Malaysian-British Invisible Trade Links.

He added that if protection was required, it would be minimal and not too much at the expense of local con-

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sumers or of efficiency.

An agency or unit in the Government will be charged with the task of streamlining the policy design, decision-making and policy implementation process in the many areas of invisibles trade.

Dr Mahathir, admitting that the Government machinery was not geared at this time to meet the many challenges posed by the invisibles deficit, said this was needed to closely monitor performances and suggest timely measures to reduce administrative bottle-necks and help progressively strengthen the nation's capacity and capability in meeting the invisibles threat.

Invisibles deficit had built up a momentum, growing from only about \$1

billion ten years ago to \$8.3 billion last year and it is expected to rise to \$9.5 billion this year.

The current account had recorded large deficits of \$5.4 billion in 1981, \$7.3 billion in 1982 and \$6.7 billion last year and measured against income these deficits represented 10 per cent in 1981, 12.4 per cent in 1982 and 10.5 per cent in 1983.

"This means that each year, our expenditure abroad exceeded our external income by an amount at least 10 per cent of our annual income. Such a situation cannot go on forever."

Dr Mahathir said a two-pronged strategy was required to first contain and later reduce the growing services deficit.

The first involves a continuing process to substitute the wide range of services now imported — by buying free on board (FOB) instead of cost, insurance and freight (CIF) to save freight charges, by encouraging Malaysians to travel more in Malaysia rather than abroad, and by

than abroad, and by building up local expertise to replace over time the role of foreign contractors and consultants.

The second involves aggressive export of invisibles — by carrying more exports to earn freight, by attracting more foreign tourists to visit Malaysia and by selling services in contracting and consultancy abroad.

He added that in tackling the problem of invisibles the key lay in being productive.

Hard work

"This means hard work and efficiency and the ability to seize new opportunities to sell more and buy only what you really need from the income generated from prudent investment.

"That is why I have urged Malaysians to Look East — to learn from the Japanese and the Koreans how to deny themselves the luxuries while they build up their exports."

Malaysians must realise that "there is no such thing as a free lunch — it is merely a matter of whether you pay now or later," he added.

If Malaysians want to earn the maximum profit they should try to deliver their goods right up to the door of their customers and pick up their purchases right at the factory door if possible.

"This means hard work and greater risks. But if others can, why can't we?"