

PM: CUT DOWN ON LUXURIES

S 18 JUL 1984

By MARIA SAMAD

KUALA LUMPUR, Tues.
— **Datuk Seri Dr Mahathir Mohamad, stressing that "there is no such thing as a free lunch," urged Malaysians today to reduce spending on luxuries and step up productivity to help check the drain on the nation's finances.**

annual income.

Stressing that such a situation could not go on forever, he said productivity was the key to tackling the problem of invisibles.

"This means hard work, 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 Malaysia to Look East — to learn from the Japanese and the Koreans how to deny themselves the luxuries while they build up their exports," he said.

Dr. Mahathir added: "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.

Freight On Board (FOB) instead of Cost Insurance and Freight (CIF), to save freight charges.

"It is always easier to buy CIF and sell FOB because you need to do very little.

"Others will have to handle the goods, find cargo space and ships, and pay for insurance and a host of agencies and people involved in the transport and delivery business.

"And then, of course, the nation will moan over the fact that Malaysian goods are not carried by Malay-

He said that the biggest challenge "rests crucially on our ability to first contain, and later reduce the growing services deficit."

The Prime Minister said that the country's services, or invisibles, deficit was expected to rise to \$9.5 billion this year, compared to about \$1 billion 10 years ago, while the current account deficit rose from \$5.4 billion in 1981 to \$6.7 billion last year.

"A large current deficit simply means that Malaysians are spending well beyond their means.

"This excess spending has been the result of a growing appetite for things foreign, be they goods or services. When we live beyond our means, we must borrow," he said.

Dr Mahathir was opening a seminar on Malaysian-British Invisible Trade

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For Malaysians, as for most others, wisdom usually takes a back seat. And when a country is democratic, the front seats are always full.

— Dr Mahathir yesterday.

Links which was organised by the British Invisible Exports Council and the Council on Malaysian Invisible Trade.

He said that there was basically nothing wrong with borrowing so long as the borrowed funds were put to productive use. "What worries me is borrowing to finance consumption and that is what a deficit in the current account really means.

The Prime Minister said that the current account deficits from 1981 to 1983 indicated that in each of those years, expenditures abroad exceeded external income by an amount equal to at least 10 per cent of the country's

The trade-off for Malaysians lies in the classic choice between the immediate short-term luxuries and the more distant but more permanent affluence that comes with early sacrifices.

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He said that the Government's strategy in meeting the problem of the invisible deficit involved a two-pronged approach:

● A continuing process to substitute the wide range of services that were now imported, by encouraging Malaysians to travel more in the country rather than abroad and building up local expertise to replace foreign contractors and consultants; and

● The aggressive export of invisibles, by carrying more and more of the nation's exports to earn freight, by attracting more foreign tourists and by selling local services in contracting and consultancy abroad.

On shipping services which make up a substantial portion of the invisibles trade, Dr Mahathir said that a national shipping advisory council would be set up soon to advise the Government on all matters relating to shipping and the national shipping lines.

He said that this was to ensure that shipping was being promoted effectively. Strategies were also being formulated now to raise the dynamism of the national shipping lines for import and export services, he added.

Dr Mahathir said that payments on freight and insurance cost the nation close to \$3 billion last year while Malaysia earned only about \$600 million.

He said the Government had decided on a strategy to substitute the wide range of services now being imported— notably by buying

sian ships or insured by Malaysian companies.

Why should foreigners who are buying FOB or selling CIF bother to, use our ships or our agencies or our insurance companies? We will not help them. Why should they help us make more money?" Dr Mahathir said.

The Prime Minister then stressed: "If Malaysians want to earn the maximum profit, they should try to deliver their goods right to the door of their customers and pick up purchases right at the factory door if possible.

"This means hard work and greater risks. But if others can, why can't we? If we can't or won't, then let us quit moaning about invisible deficits."

Dr Mahathir conceded that the government machinery was not geared at present to meet the many challenges posed by the invisibles deficit and said it was important to bring about early improvement in this field.

He also said that the Government was concerned over the large services and current account deficits with Britain, which amounted to \$1.2 billion last year.

Although Britain was the country's seventh largest trading partner, it enjoyed the third largest services surplus among Malaysia's trading partners, he added.

The Prime Minister said the Government would not approach the problem with a protectionist policy but would instead aim for greater efficiency, particularly in the production of import substitutes and com-

petitively-priced and quality products.

If protection was required, he added, it should be minimal.

He called on Britain to try and understand Malaysia's desire to improve its services trade imbalance and to examine its tax incentives and needs through joint ventures.

"We recognise your expertise in the areas of financial services, underwriting and reinsurance and ship ping.

"We seek to co-operate with you for mutual benefit. We also need to learn from your experience in privatisation. Of course, if we succeed, it may cost you."

The Prime Minister admitted that the balance, could not be reversed overnight.

However, the Government, he said, had already provided liberal tax incentives to encourage domestic investment in ships and writing of inward insurance, freight insurance and reciprocity in quality reinsurance.