

Declining savings rate a serious threat, says PM

By ZULKIFLI ALWI



PRIME Minister Datuk Seri Dr Mahathir Mohamad has expressed "urgent concern" over Malaysia's declining national savings rate. He expects the rate to have declined to 28 per cent of GNP in 1991 from just under 30 per cent in the previous year.

Traditionally big savers, Malaysians have been less thrifty in the last several years. Consequently, the savings rate has been trending down although it averaged 30 per cent over the last two decades.

The Prime Minister said he falling savings rate is effective of the boom in consumer spending which has isen by an average of 15 per cent in real terms over the ast three years. "Clearly, igher consumption cannot ontinue indefinitely," he

THE US action of Linking human rights and environmental issues to trade is tantamount to curbing the independence of sovereign nations, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

"Dictating the actions of other nations renders meaningless the concept of free and independent states," he said

Replying to questions about US opposition to Malaysia's initiative to form the East Asia Economic Caucus, the Prime Minister said: "I do not see how this is consistent with the idea of independent nations."

Concern over fall in savings

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payments has been in deficit in the last two years, he spoke of a strong possibility that it will record a turn-around into a surplus current position over the medium term.

Datuk Seri Dr Mahathir related the current account deficit to the savings-investment gap. While the shortfall in domestic savings over investments calls for greater push for higher private savings, it also indicates Malaysia's success in attracting investments.

The savings-investment gap, he explained, arose from the inability of domestic savings to keep pace with the investments generated in recent years. Thus, domestic savings had to be supplemented with foreign savings.

He described the gap as manageable, saying that it can be tolerated in the short run. He, however, cautioned that it can be a threat if it becomes large and persistent.

said when opening an executive programme in Kuala Lumpur yesterday.

He called on Malaysians to save more and avoid conspicuous spending such as buying goods and services through credit cards.

Datuk Seri Dr Mahathir viewed the falling savings rate as a more serious threat compared with the deficit in the country's external payments position. The deficit, he said, reflects largely greater imports of capital goods arising from the strong expansion in direct foreign investments.

After a gestation period, these investments in new productive capacity should generate higher growth in exports and help strengthen the current account position in the medium term.

Furthermore, he pointed out, the present deficit is financed by direct foreign investments and reinvestments, unlike the situation in the early 1980s when it was funded by heavy Government borrowings abroad.

In the final analysis, he said, what matters most is the overall balance of payments position covering both the current and capital accounts. "On this score, the strength of the country's balance of payments is beyond reproach."

Noting that the balance of

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