

# PM: Private sector must help address trade imbalance

KUALA LUMPUR, Fri. — Prime Minister Datuk Seri Dr Mahathir Mohamad today urged the private sector to help the Government address the country's trade imbalance.

He said it was time not only for the Government to consider the problem of trade imbalance but also the private sector.

He said the country's trade deficit was increasing every year and a lot of people attributed it to Malaysia's rapid economic growth.

Dr Mahathir said the country's success had brought about a new set of problems and "nowadays, we are a little worried" about the imbalance.

In the first five months of this year, Malaysia's exports totalled RM70.3 billion while imports stood at RM73.6 billion, a deficit of RM3.3 billion. For the same period last year, the value of exports was RM57.7 billion while imports was RM58.7 billion.

Dr Mahathir said the rapid growth had caused imports to increase as the country imported a lot of capital goods.

At the 1995 Industry Excellence Awards presentation ceremony here, the Prime Minister said this had led to the situation where

the trade imbalance was no longer in Malaysia's favour.

"The export figures are big but if the import figures are bigger, then we are not doing extremely well as we would like to believe. Though there is growth in trade, I think this year the total imports and exports will amount to about US\$130 billion, but that is not enough for us."

He cited big items such as aeroplanes and ships which had to be imported and subsequently increased the trade imbalance.

"The private sector looks only at their own operations. So long as they make profits, they think they are doing well. But if they make the profit at the expense of the national trade imbalance, then it is really not very healthy, even for them."

"But a time will come when this trade imbalance will have an adverse effect on our economy and on the companies themselves. Therefore, the business sector must also give due consideration to the national trade imbalance."

"A trade balance that is not in Malaysia's favour simply means that we have lost money... it means that a lot of our money is flowing out and not enough money flowing in."

He said the private sector

could help alleviate the problem by increasing the local content in their manufacturing processes.

"You must use as much as possible what is available in the country rather than take the easy way out and import even though sometimes the imports are cheaper."

"Perhaps, it is better that you use local components rather than imported ones."

Another matter of concern was the service imbalance, the Prime Minister said, adding that revenue was lost through freight and insurance.

He said it would be better for exports to be done through CIF (cost, insurance and freight) rather than FOB (free on board) and vice-versa when importing.

He advised traders and manufacturers to buy insurance policies locally and export their products using Malaysian vessels. This would help retain revenue within the country, he added.

Malaysia should be proud of the fact that it was the 19th largest trading country in the world considering that its population was only 19 million, he said.

Dr Mahathir said the countries which were ahead

of Malaysia were those with populations of more than 200 million people. These countries have huge domestic markets, huge per capita income, which gives them a very good base for going into manufacturing and exporting.

He said he believed efforts in having excellence awards played an effective role in upgrading the country's achievements in many sectors.

All the awards had helped Malaysia to compete with other nations, he said.

"Today, Malaysian products are no longer regarded as low quality but on par with those of other nations. This was achieved through hard work and diligence."

He said the Government had been encouraging the private sector to improve all the time and this was done by giving them due recognition.

"In fact, we recognise everything that the private sector does and it sometimes surprises a lot of foreigners. They were very surprised when I told them that in Malaysia we even recognise the companies which pay the highest taxes," he said to a round of laughter and applause.

He later presented the Industry Excellence Awards to the winning companies.