

05 AUG 1996

IMPORTS OF NON-ESSENTIAL GOODS TO BE RESTRICTED, SAYS MAHATHIR

KUALA LUMPUR, Aug 5 (Bernama) -- Imports of certain non-essential goods will be restricted through quotas and import permits if the reduction of imports through close government monitoring and voluntary restraint are not possible, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

"While trying to reduce imports in order to overcome the balance of payment deficit, exports too would have to be positively encouraged, especially locally-owned manufactured products," he added.

The government will look into the matter and ensure that loans for such businesses remain cheap, he said when opening the three-day National Convention on the Seventh Malaysia Plan here.

To overcome the deficit problem, the worse thing to do was to try and stifle growth by increasing interest rates, he added.

"Even though it reduces spending, new investments will be reduced and foreign money might flow in to take advantage of high interest. Thus, it is far better to raise import duty if this can be done," he said.

Dr Mahathir said the government will actively support research and development (R&D) to enable local companies to manufacture their own branded goods.

The allocation for R&D in the Seventh Malaysia Plan will be increased and favourable treatment will be given to local R&D.

"Now, we must not only automate but we want more and more industries to be Malaysian-owned and to produce sophisticated products for export," he added.

Existing industries, owned largely by foreigners, tend to be value-added operations whereby partly processed components are imported and processed for export in the form of semi-finished or final products.

This means imports have to grow as exports increase but the margin is not enough to help reduce the balance of payment, he said.

However, if every part of the component or final product are produced in the country then an increase in exports need not result in similar increases in imports.

"There will still be imports but these will be largely low-value raw materials," he said.

If more local companies manufacture for export, not only will export earnings stay in the country but leakages would be minimal, hence, the balance of payment would be reduced, he added. -- BERNAMA

SHO LDB