

7 FEB 1996

MEASURES TO CURB CURRENT ACCOUNT DEFICIT IN SEVENTH MALAYSIA PLAN

KUALA LUMPUR, Feb 7 (Bernama) -- The government is planning to stress on measures to curb the current account deficit in the seventh Malaysia plan, deputy finance minister Datuk Dr Affifuddin Omar said.

The current account deficit should not be more than five percent of the country's annual Growth Domestic Product (GDP), he said adding the country's deficit was however now at 7.5 percent of GDP.

The government has outlined a lot of measures to curb the current account deficit, by raising exports and reducing imports, he told a press conference after the breaking of fast with reporters here last night.

Other measures included a monetary shift, good taxation policy and to shift the domestic manufacturing production for export purposes as well as enhancing the value added sector, namely rubber and cocoa, he said.

Prime Minister Datuk Seri Dr Mahathir Mohamad said recently that more components for the manufacturing sector should be produced locally if export earnings are to be maximised.

Dr Mahathir called on the manufacturers to produce in sufficient quantities and achieve economies of scale for local as well as for the global market.

To a question on the stiff competition in the International Offshore Financial Centre (IOFC) of Labuan between local and foreign banks, Affifuddin said small local banks should merge to become a big and compete at par by offering better services and benefits.

The newly formed bank could give competition to the giant foreign banks, which offer good and attractive benefits to its customers, he said.

Currently, there are 16 local banks operating in the IOFC, with about 40 foreign banks.

The local banks should also diversify their businesses to manufacturing, services and the housing industry and not merely confine themselves to conventional transactions, he said.

"Diversification of local banks would allow them to compete with the foreign Banks.

However, he said the government is trying to minimise intervention and not to interrupt much in the market", he said.

Commenting on the Employees Provident Fund (EPF) dividends to be announced by the board for last year, Affifuddin said the 7.1 million EPF contributors should not be angry if the dividend is not at eight percent as in 1994.

"Let us become a society which do not demand entitlement," adding that the government would share better dividends as it could afford it and when times are "good" while contributors should share the burden when times are bad.

Under the EPF Act, the minimum dividend is 2.5 percent, he said adding that it was not fair to ask for more than the fund could provide as it (the fund) has been paying more than it should have since the 1960s.

EPF dividend rates increased over the years from 2.5 percent in 1953 to 8.5 percent in 1980 to 1987 but dropped to eight percent from 1988 to 1994.

On his political career, he offered himself as the UMNO Supreme Council member for the next UMNO general election to be held at the end of this year.

Affifuddin said he would offer his expertise in political economics for the benefit of the UMNO members. -- BERNAMA

