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Building machines weigh heavily on balance of payments

CRANES and other building equipment, which symbolically are a measure of a nation's vibrant economic growth, especially in the construction sector, are eating into Malaysia's balance of payments.

While the mounting imports of these "lumpy" items reflect the hive of activity in the building sector, too many of these foreign-made machinery are a cause for concern.

With the possibility of another balance of payment deficit, analysts say over-zealous importers of heavy machinery may have to review their operations as the forthcoming 1998 Budget may see the imposition of higher taxes on these imports.

Under the country's long period of economic boom, contractors were keen to import such items, especially new ones, without seriously examining the issue of using secondhand but still functional construction machinery available.

For this year, import duties of five and 20 per cent were levied on heavy machinery imports like bulldozers, excavators and pile drivers. Last year, the Government imposed a 20 per cent import duty on bulldozers, angledozers, graders, levellers, pile drivers and pile extractors, coal or rock cutters, and tunnelling machinery.

Duty of five per cent was slapped on scrapers, road rollers, tamping machines and shovel machinery with a 360-degree revolving superstructure while front-end shovel loaders and other mechanical shovels, excavators and shovel loaders were slapped with a 10 per cent duty.

Prime Minister Datuk Seri Dr Mahathir Mohamad on Tuesday warned traders that the 1998 Budget may see a cut in heavy machinery imports, and cited cranes and excavators as contributing significantly to the country's balance of payments deficit.

"At the moment we want traders to voluntarily stop importing the machinery but if they don't, we are thinking of putting restrictions on the import," he said in Kuching.

"In Kuching alone, you can see yards full of these things and yet they are still buying and if we keep on with our bad habit, the deficit will never go away."

Last week, Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim said the 1998 Budget to be tabled on Oct 17 would seriously look at measures to curb Malaysia's imports and focus on expanding exports.

His deputy, Datuk Dr Affifuddin Omar, also mentioned the possibility of "blacklisting" contractors bent on using imported building materials although locally-produced ones were available.

According to figures from the Statistics Department, Malaysia's external trade deficit totalled RM617.974 million in 1996, with exports of RM196.691 billion and imports of RM197.309 billion.

Last year, the largest contributor to the increased imports were machinery and transport equipment and this group was also the largest import component, accounting for 60 per cent or RM118.4 billion.

For the first six months of this year, Malaysia's trade deficit widened to RM2.7 billion from a deficit of RM687.8 million the same period last year.

The deficit in June was caused by the purchase of ships and tankers, including a liquefied natural gas carrier) and commercial aircraft, collectively amounting to RM2.2 billion, or 11.4 per cent of total

imports.

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