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AEM: JAPAN TOLD TO INVEST IN HEAVY EQUIPMENT MANUFACTURING

PETALING JAYA, Oct 18 (Bernama) -- Japan has been urged to invest in Malaysia in the manufacture of heavy equipment for the construction industry, which will help ease its current account deficit woes, Minister of International Trade and Industry Datuk Seri Rafidah Aziz said.

She said here today they should view positively restrictions imposed in the 1998 Budget on the import of such equipment, especially if they are available locally, as an opportunity to raise their level of foreign direct investment.

It would help ease Malaysia's trade deficit brought on mainly by high imports of capital and intermediate goods," she said during a press conference after consultations between Japan's Minister of International Trade and Industry Mitsuo Horiuchi and the Asean Economic Ministers.

Rafidah, who co-chaired the meeting with Mitsuo, was asked by a Japanese reporter as to whether the government's decision to impose approved permits (APs) for the import of heavy equipment for the construction industry was consistent with market liberalisation.

She said the "cutbacks on such equipment, which Malaysia imports substantially, does not mean that imports cannot come in to Malaysia...what we want to see is those people needing the machinery to source it locally."

"We would also like to encourage investments here in Malaysia especially by Japanese investors...in the long term, that's how we see it and help develop a new growth area in capital goods," she said.

Thereafter, "we would like to see the goods used not only in Malaysia but being exported for the Asean region as well, so we hope that this would spur investors from abroad including Japan to identify some areas of capital goods production and undertake it in Malaysia," Rafidah said.

Asked for his views, Horiuchi, who spoke through an interpreter, said while decision on tax hikes were up to individual countries, he believed that Malaysia's move to impose the APs was temporary.

He expressed confidence that in the long run, it would help production and manufacturing of these equipment by Japanese investors which would further help to expand Malaysia-Japan trade and investment.

On the trade deficit Malaysia suffers with Japan, Rafidah it was chronic and had been there for a long time, but the currency crisis has warranted the government to take remedial measures to curb the deficit.

Rafidah said that a task force comprising officials from both countries have been entrusted to look into the matter and identify specific areas as to how the deficit could be overcome.

Here, she stressed that it was important for the respective private sectors of both countries to play a pivotal role in stepping up local manufacturing of capital and intermediate goods.

The matter was also discussed between Prime Minister Datuk Seri Dr Mahathir Mohamad and Japanese Prime Minister Ryutaro Hashimoto when the latter visited Malaysia in 1996.

Philippines Secretary of Trade and Industry, Cesar Bautista said as far as his country was concerned, the deficit should be viewed as a positive contribution to the balance of trade where it eventually would translate into higher exports. -- BERNAMA

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