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#### MAKE INTERMEDIATE AND CAPITAL GOODS LOCALLY

By: Dalila Abu Bakar

KUALA LUMPUR, Sept 9 (Bernama) -- Malaysia must begin to reduce its current account deficit by not only lessening imports of consumer and intermediary products, but work towards manufacturing them locally.

Analysts and manufacturers said foreign companies should be encouraged to reinvest a bigger portion of the profits locally rather than remitting all of them abroad, which also influences the deficit markedly.

Federation of Malaysian Manufacturers (FMM)'s chief executive officer Tan Keok Yin said foreign investors should be encouraged to set up plants manufacturing intermediate capital goods not available locally.

He said intermediate goods available here included building materials like ceramic tiles, air-conditioning equipment, automotive products, packaging materials, textile and rubber products, meaning which they should not be imported.

Of the total imports of RM119.1 billion in the Jan-July 1997 period, intermediate goods totalled RM77.1 billion or 64.7 percent, capital goods RM25 billion or 21 percent and consumption goods RM7.5 billion or 6.3 percent.

"As for consumer goods, most are available locally," Tan told Bernama here today when commenting on the Prime Minister's call to cut unnecessary imports in efforts to reduce the persistent current account deficit.

In 1996, Malaysia incurred a current account deficit of RM12.252 billion, while for the first quarter of this year, the deficit at RM1.8 billion was an improvement compared to deficits of RM4.5 billion and RM3.2 billion registered in the fourth and first quarters of last year, respectively.

"FMM has over 2,000 members, most of whom produce consumer and intermediate goods, but we lack manufacturers of specialised high-end products," he said.

Nevertheless, an analyst said the economy was still in a transitional stage towards achieving industrialisation which means the demand for capital machinery, especially specialised goods would continue to be high.

Capital machinery still made up a big chunk of imports -- about one third of the total imports.

On the remittance of profits abroad, a securities analyst said the numerous presence of foreign companies here given Malaysia's open investment climate economy, has led to massive outflow of earnings and dividend payments.

The hundreds of thousands of foreign workers in Malaysia has not helped matters as it had led to huge sums of monies being sent out of Malaysia, further worsening the balance of payments deficit, he said.

However, Malaysia was still some way from decreasing the invisibles payout especially that of insurance and freight given the lack of local expertise and resources in reinsurance and shipping.

The analyst also said that rather than importing outright, the construction industry where imports were high, should seriously look to using reconditioned equipment for which the government has given incentives in the 1997 budget.

Prime Minister Datuk Seri Dr Mahathir Mohamad recently told traders to reduce their imports of unnecessary goods, especially construction machinery like mechanical hoses and excavators to reduce the country's deficit.

Dr Mahathir said the government would be forced to impose restrictions on imports, especially of heavy machinery for the construction industry, if traders did not reduce them voluntarily.

Tan said Malaysia should further promote exports by expanding current markets and creating new ones, adding manufacturers on their part should increase their productivity and be competitive internationally.

"We must raise the level of industrial productivity and exporters must take efforts to increase their productivity," he added.

Tan also called on entities providing services like electricity, transportation and the treatment hazards like waste be competitively priced.

"These efforts, if implemented, would record a better balance of payment position which will lead to a better performance of the local currency," he said. -- BERNAMA

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