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PM: Public, private sectors have clearer idea (HL)

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KUALA LUMPUR, Fri. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today the public and private sectors now had a clearer idea of how to play an effective role in solving the various economic issues including the deficit in the balance of payments.

This followed a three-hour meeting of the high-powered Malaysian Business Council, which comprised senior Cabinet Ministers, top civil servants, business leaders, trade unionists, senior editors from media organisations and representatives of non-governmental organisations at Bank Negara.

Speaking to reporters after the meeting, Dr Mahathir said the council studied various working papers on the country's balance of payments deficit.

"The recent reduction in the country's trade deficit was also explained and this was partly due to the yen's depreciation," he said.

Malaysia recorded a lower trade deficit of RM618 million in 1996, a decrease of RM8.7 billion or 93.4 per cent compared with the deficit of RM9.4 billion in 1995.

The meeting also discussed two papers by Bank Negara on the services industry and what should be done in the transport, shipping and insurance sectors to further improve the industry.

The papers were entitled "Enhancing the Services Sector of the Malaysian Economy" and "Creation of an Electronic Information Network for Information Dissemination".

They were written by the Working Committee on Services and Information-Rich Society and presented by Bank Negara Governor Datuk Ahmad Mohamad Don.

Several ways were suggested to overcome problems related to trade, Dr Mahathir said.

Among those present were Deputy Prime Minister Datuk Seri Anwar Ibrahim, Foreign Minister Datuk Abdullah Ahmad Badawi, International Trade and Industry Minister Datuk Seri Rafidah Aziz, Chief Secretary to the Government Datuk Halim Ali, Finance Ministry secretary-general Tan Sri Clifford Herbert, and corporate leaders.

The report on the balance of payments was prepared by a working committee on monetary and financial management and presented by Herbert.

Members of the MBC, when interviewed, said the balance of payments for 1996 improved over the forecast in the 1996-1997 Economic Report and also over the actual deficit of 1995.

They said the current account deficit was estimated to have narrowed to RM11 billion against the forecast RM14.8 billion in the 1995/96 Economic Report.

This resulted in the current account deficit narrowing to about five per cent of the Gross National Product as against the forecast of 6.3 per cent. The 1995's deficit stood at RM18.7 billion or 19 per cent of the GNP.

In fact, they said, the basic balance for 1996 was estimated to show a surplus of just under RM1.5 billion compared to the forecast deficit of RM2.4 billion in the 1996/97 Economic Report and a deficit of RM2.5 billion in 1995.

As a result of this, the overall balance is expected to record a surplus in excess of RM6.3 billion against the forecast surplus of RM1.2 billion,

which is a big improvement over a deficit of RM4.4 billion in 1995.

The MBC members said the improvement in the balance of payments position was contributed mainly by the higher export of goods while the services deficit worsened slightly to about RM20 billion.

They also noted that the improved balance of payments position was also made possible by the higher inflow of foreign direct investments into the country, noting that the surplus could have been higher had it not been for the significant increase in investments by Malaysian companies abroad.

They said the balance of payments position also benefited from the depreciation of the yen against the ringgit, resulting in cheaper imports from Japan.

The members said the meeting was told that the Government took a long-term view of the balance of payments position instead of taking measures that might stunt economic growth.

They described the meeting as useful for the public and private sectors to get feedback.

The meeting enabled the private sector to know the Government's stand behind various policies and for the Government to evaluate private sector ideas in a pragmatic way.

They said the meeting also discussed the social responsibilities of the private sector in terms of nation building.

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