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Timely credit boost for local exporters

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LAST week, the Government announced a doubling of credit facilities for traders to RM4 billion. Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim, in announcing this after meeting bankers, also said that the export credit refinancing scheme will be extended to trading companies in recognition of the important role they play in marketing and promoting the export of Malaysian goods.

This announcement is timely as trade, according to Prime Minister Datuk Seri Dr Mahathir Mohamad, is Malaysia's salvation.

When addressing an Egyptian business forum in Cairo two weeks ago, Dr Mahathir had said in order for Malaysia to restore its economy, "we would need help, not in the form of aid but in increased trade. For in trade lies Malaysia's salvation.

"We are too small a country to be able to grow independently. We need trading partners," he said.

In fact, surging exports and a moderation in import growth, together with a more stable ringgit during the month, showed that Malaysia's trade surplus in March - the latest figures released by the Statistics Department - jumped 49.2 per cent to RM3.72 billion from RM2.5 billion a month earlier.

On a quarterly basis, the trade surplus shot 440 per cent higher to RM8.8 billion from the RM2 billion posted in January-March 1997. Exports expanded 42.5 per cent to RM69.9 billion and imports 29.9 per cent to RM61.0 billion.

Analysts said if the trend is sustained throughout the year, the country's current account deficit, estimated at RM13 billion in 1997, may in fact be reduced significantly. There may even be a little surplus.

They also said that in the past few months, Malaysian goods have become very competitive in the export market. This is indeed a good sign and augurs well for the economy's recovery.

Trade associations lauded Thursday's announcement as they said that it will encourage more exports.

President of the Penang Malay Chamber of Commerce Datuk Abdul Rahman Maidin said the chamber is encouraged by the support shown by the Government as the facility will benefit the entire export chain.

"The small- and medium-sized companies will be able to take advantage of this facility to sustain their businesses," he told Business Times.

Federation of Malaysian Manufacturers (FMM) president Paul Low concurs with Rahman, saying that exporters will be able to look for funds at attractive rates with the availability of the facility.

"The move will give businesses the confidence to continue with their exports, especially the small- and medium-sized companies," he said.

Out of the RM4 billion credit facility announced by Anwar, RM3 billion will be channelled through the Export Credit Refinancing (ECR) scheme.

The ECR is managed by the Exim Bank and made available through all banks in the country. This is an increase of RM1.7 billion from the previous RM1.3 billion.

Another RM1 billion will be in the form of Exim Bank supplier, buyer and overseas investment credit facilities.

The ECR scheme, modelled after South Korea's trade financing facilities, was introduced in 1977. The Exim Bank took over its management from Bank Negara in January 1997.

The scheme's maximum loan is meanwhile also doubled to RM50 million. Bank Negara deputy governor Datuk Fong Weng Phak said the central bank "will raise the additional RM1.7 billion for the ECR scheme from our resources and from the Government."

The current allocation of RM1.3 billion comes from the Treasury.

As for the RM1 billion supplier, buyer and overseas investment credit facilities, Exim Bank will tap external sources for new funds, its executive director Mohamed Saleh Ghazali said.

The Government hopes that with the expanded facilities, exporters will strive to make the necessary structural changes to enhance their level of efficiency and reduce costs to compete in these turbulent and trying times.

Exporters, too, must be more aggressive in their marketing strategies, expanding existing markets and penetrating new ones.

Efforts to diversify export destinations must continue. Malaysian businessmen should work towards establishing long-term relationships in Eastern Europe, the Commonwealth of Independent States (CIS) and Africa Sub-Saharan countries instead of merely wanting to make quick profits from the political and economic reforms of these markets.

Dr Mahathir himself had gone to these non-traditional markets, taking with him business delegations on the trips. The latest visit was to Sudan where he saw for himself the investment opportunities which Sudan has to offer to Malaysian businessmen.

These are non-traditional markets with tremendous potential. Quick profits are out of the question as breaking even may prove to be arduous in the short term. The far-sighted businessmen will, however, find that these investments will pay off handsomely in the long term.

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