

**Fuel subsidies 'like opium', to be cut gradually**  
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Fuel subsidies are "like opium" to the economy and will have to be reduced gradually to bring the budget deficit under control, Prime Minister Najib Razak said today.

He said his government had budgeted for fuel subsidies to cost the economy RM11 billion (\$2.90 billion) this year but that the estimate had soared to around RM18 billion because of high international crude oil prices.

"Subsidies as a whole are like opium. Once you take opium it's hard to kick the bad habit; once you provide subsidies it's hard to take them away without some political cost," he told an audience at Oxford University's Centre for Islamic Studies.

In March, Najib said he was committed to cutting subsidies long term and said the savings should be targeted to help lower and middle income people.

"Good economic and macro-management entails you reduce subsidies on a gradual basis. Then you will allow market forces to allocate resources efficiently."

Najib said the need to withdraw subsidies gradually would have to be balanced against Malaysia's need to reduce its budget deficit as a percentage of gross domestic product.

The government aims to reduce the deficit this year to 5.4 percent from 5.6 percent, then down to 2.8 percent by 2015.

"We will have to increase the price (of fuels) gradually, we cannot do it overnight. There is a political cost in reducing subsidies," he added.

"I have to manage this between good governance and being able to be reelected, which is not unimportant," he said.

- Reuters