

M'sia likely to be net oil importer by next year
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Malaysia is likely to become an oil importer as early as next year at the current rate it is consuming petroleum, Minister in the Prime Minister's Department, Idris Jala, said today.

Malaysians continue to be among the highest fuel consumers per capita in the world fuel consumption habits pattern which generally has remained relatively unchanged despite increased oil prices in 2008.

He also said that approximately 70 percent of the government's liquid petroleum gas (LPG) subsidy goes to commercial concerns and not the intended households.

About 30 per cent of the cooking oil subsidy is also abused, he said.

He said the government is proposing to phase out the petrol subsidy gradually in line with its move to strategically position Malaysia's economy on a stronger footing to realise the aspirations of Vision 2020, which is to achieve a developed, high-income nation status.

"Subsidies are an inaccurate representation of trade," Idris said when officiating the Subsidy Lab Open Day in Kuala Lumpur to receive feedback from the public on subsidies.

"In addition, they pose a fiscal burden that emerging economies such as Malaysia should move away from. As such, we desperately need an exit strategy for subsidies, as they are unsustainable," he said.

"In order to save the country, we need to increase our GDP, Malaysians need to be aware we are giving the highest subsidies - 4.6 percent of GDP even higher than Indonesia (2.7 percent) and Philippines (0.2 percent)," said Idris, who is also the chief executive officer of the Performance Management and Delivery Unit (PEMANDU).

Malaysia is one of the most subsidised nations in the world. Its total subsidy of RM74 billion in 2009 is equivalent to RM12,900 per household.

This covers the areas of social (RM42.8 billion), fuel (RM23.5 billion), infrastructure (RM4.6 billion) and food amounting to RM3.1 billion.

"All savings to reduce these savings are intended to reduce our deficit and debt of 103 billion in five years," he said.

Meanwhile, studies by Bank Negara have shown that inflation will rise to four percent (2011-2012) and three percent post 2013.

Subsidies only result in market distortion and they drain the government of much needed funds that could be better used for more strategic and pressing development projects for the rakyat, Idris said.

"The time for subsidy rationalisation is now," he said.

"We are reviewing the possibility of introducing a floating price mechanism, mitigation measures and assistance needed to put in place."

"We do not want to end up like Greece with a total debt of 300 Euro billion. Our deficit rose to record high of RM47 billion last year."

"If the government continues at the rate of 12 percent per annum, Malaysia could go bankrupt in 2019 with total debts amounting to RM1,158 billion," he cautioned.

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