

BALANCE OF PAYMENTS:
AN ASPECT OF MACROECONOMIC
MANAGEMENT.

A Case Study of Malaysia in the
Eighties and Nineties.

The Master Project submitted to the Graduate School in partial fulfillment of the
requirements for the degree Master of Science (Management),

Universiti Utara Malaysia

By

Chandran a/l Krishnan Nair



**Sekolah Siswazah
(Graduate School)
Universiti Utara Malaysia**

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ABSTRAK

Fokus kajian ini, adalah untuk melihat arah aliran imbangan pembayaran Malaysia dan implikasinya. Kajian perbandingan juga dibuat antara defisit akaun semasa Rancangan Malaysia ke-5 dan ke-6. Selain itu, isu-isu tentang imbangan pembayaran Negara lewat lapan puluhan sehingga pertengahan sembilan puluhan dibincangkan dengan memberi penekanan kepada penurunan eksport tradisional, peningkatan import untuk perbelanjaan pembangunan dan penggunaan serta pembayaran terlindung yang kian meningkat keluar negara. Arah aliran eksport, juga turut dikaji dengan terperinci. Akhir sekali, beberapa cadangan untuk mengawal peningkatan dan penurunan defisit akaun semasa dikenal pasti termasuklah disiplin fiskal, peningkatan eksport, strategi pemasaran yang agresif dan langkah-langkah untuk mengurangkan kesan krisis nilai mata wang.

ABSTRACT

This study focuses on recent trends in the Malaysia's Balance of Payments and their implications. A comparison of current account deficits between the period within the 5th and 6th Malaysia Plans has been made. The main balance of payments issues of the late eighties and the nineties have been discussed while emphasizing the declining competitiveness of Malaysia's traditional exports, the high import content in both consumption and development expenditure and continuing high invisible payments abroad. The export trend is thoroughly examined. Finally, some recommendations to reverse the current account deficit are made in which the major ones include greater fiscal discipline, export productivity enhancement, more aggressive marketing strategies and measures to counter the currency crisis.

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LIST OF ABBREVIATIONS

BOP	Balance of Payments
CA	Current account
Dm	Demand for imports
Dx	Demand for exports
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNP	Gross National Product
IMF	International Monetary Fund
Pm	Price of imports
Px	Price of exports
SA	Service account
WTO	World Trade Organization

CHAPTER ONE

INTRODUCTORY

1.0 Introduction: Problem Statement

Balance of Payments is essentially a record of all the financial transactions in goods, services and capital assets which have taken place between a country's residents and the residents of other countries within a period of time.

This study deals primarily with the issue of Balance of Payments as an aspect of macroeconomic policy and management which ultimately relates to the balancing of supply and demand for a country's need of currency in the foreign-exchange with a view to establish stability in the country's exchange rate or external value of money in the process of macro balancing of the economy.

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