

GERMAN TYCOONS TOLD OF NEED FOR FOREIGN CAPITAL

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A BRIGHT picture of Malaysia's economic future was painted for a group of German bankers and businessmen by Datuk Seri Dr Mahathir Mohamad last night as he reiterated the need for foreign capital in the country's development efforts.

The Deputy Premier and Minister of Trade and Industry was speaking on the financial needs of the Third Malaysia Plan at a dinner here hosted by Dr. Hans A. Wuttke, a board member of the Dresner Bank.

The Deputy Premier is leading an 18-member mission to four Western European countries. The mission left for Paris today.

On Malaysia's economic situation, he said the country's export earnings during 1976 to 1980 were likely to exceed the figures projected under the Plan.

The growth prospects of the economy, the growing diversification of the exports and the export performance aided significantly by the growth in the petroleum industry, all suggested this, he added.

Investors

On the role of foreign investors, he said: "We recognise the important contributions that the foreign sector has made towards the growth and modernisation of our agricultural and manufacturing capabilities."

"You have the skills, the technology as well as the capital which we need for the development and modernisation of our economy."

"We, therefore, welcome all those who have the technical know-how, the capital resources and the willingness to cooperate with our own economic and social aspirations to go into partnership with us to help develop Malaysia."

He also outlined the plan which envisaged a total investment target of \$44 billion and a real growth of the GNP at 8.5 per cent per year.

Resources

He said financing of the projects under the Plan was not expected to be a "significant problem."

"As in the past, our economic development has relied on the nation's own resources for the bulk of investment finance," he said.

"We will, of course, continue to rely on foreign capital, both private and public, to aid us, but we will continue to emphasise the policy of self-reliance in the sense that we would seek to mobilise our own savings, supplemented by foreign capital, to finance the greater part of our investments."

"In a world of uncertainty, I think the pursuit of self-reliance is essentially a sound policy."

Of the \$18.6 billion development expenditure to be undertaken by the public sector, about 70 per cent of this would be from domestic sources, he said.

Repayments

The bulk of external capital required under this sector will be from loans from the World Bank and the Asian Development Bank, supplemented by market borrowings and bilateral credits, he added.

"I might add that despite the high level of external borrowing, the foreign debt service burden would, nevertheless, remain modest."

"External debt servicing, including the repayments of principal, would rise to about seven per cent of the total export earnings in 1980 — a debt service burden which would be the lowest among the countries at a similar stage of development," he said.

"Even so, this ratio is only a rough indicator of the nation's potential ability to pay for its external borrowing."