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Mahathir-Investment

DR MAHATHIR ON THE GOOD AND BAD OF FOREIGN INVESTMENTS

TEHRAN, Dec 11 (Bernama) -- Drawing on Malaysia's experience with the depreciation of the ringgit and drop in share prices, Datuk Seri Dr Mahathir Mohamad spoke on the good and bad of foreign investments.

The prime minister said investment in productive capacity to bring out goods and services was good because its contributed to the creation of skills, jobs and wealth in a country.

"However, there is another type of investment which is bad and that is short-term, hot-money investment in the stock market," he said when asked on the role of the multinational corporations (MNC), given Malaysia's experience with the ringgit depreciation.

Such kind of investors merely wanted to push up the value of the shares and sold them when the prices were very high. They would then take the capital gains and go to another country, he said.

Such MNCs should be avoided but MNCs which invested in productive capacity could do no harm, he said at a dialogue session with prominent Iranian chief executive officers, senior managers and academicians, here, Wednesday.

"There is very little they can take away because everything is literally nailed to the floor, so they would rather stay.

"In fact in Malaysia, none of them has pulled out," he said.

He said that while new MNCs were coming in, those already in Malaysia were investing more because with their currencies appreciating against the ringgit, they would require less of their currencies to invest further.

Dr Mahathir, who is here to attend the Organisation of Islamic Conference (OIC) leaders summit, also explained the negative effect of currency trading and efforts by the government to overcome the problem of the ringgit depreciation.

"It will take a lot of hardship in order to recover," he said, adding that Malaysia had lost about US\$140 billion in the last four months as a result of the ringgit depreciation.

This is because the per capita income of US\$5,000 had now been reduced to US\$3,000 following the ringgit fall of about 40 per cent.

"It took us 15 years to increase the per capita income from US\$3,000 to US\$5,000 and we are now back at US\$3,000. It may take us another 15 years, I hope not," he said.

Apart from thrifty measures taken domestically, he said: "In order to revive our economy, we have to increase our trade, look for new trading partners".

He hoped Iran could be a good trading partner for Malaysia which had already invested in oil and gas production in this country.

He said Iranian leaders, including President Mohammad Khatami, had reiterated the need for Iran and Malaysia to step up their cooperation. --  
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