

28 NOV 1997

DR M: M'SIA REVERSING DECISION DISCOURAGING LABOUR-INTENSIVE INDUSTRIES

By: Mohd Fisol Jaafar

TOKYO, Nov 28 (Bernama) -- Malaysia has halted its policy of discouraging labour intensive industries dependent on foreign labour but this only applies to export-oriented industries, said Prime Minister Datuk Seri Dr Mahathir Mohamad today.

This decision is seen as a measure to attract more direct foreign investments in export-oriented industries in a move to address the country's present economic difficulties.

Dr Mahathir explained that the decision was made to attract more direct foreign investments (FDI) as production of goods and provision of services in Malaysia have been made cheaper because of the devaluation of its currency amidst the currency crisis.

"They (the industries) would either earn more profits or become more competitive in the world market," he said in a keynote address at a dialogue with 36 Japanese business leaders.

Dr Mahathir, who arrived here last night for a two-day working visit on returning to Kuala Lumpur from attending the Asia-Pacific Economic Co-operation (Apec) Leaders' Summit in Vancouver, said the government would allow a gradual increase of the foreign work force if necessary.

"We now have about 1.7 million foreign workers...we will allow a gradual increase if export-oriented industries require a bigger work force," he told the Japanese business leaders, among whom were Japan Federation of Economic Corporation chairman Shoichiro Toyoda, The Export/Import Bank of Japan deputy governor Akira Nambara, Kobe Steel president Masahiro Kumamoto and Matsushita Electric Industrial Corporation executive vice-president Masayuki Matsushita.

Others include Toyota Motor Corporation executive vice-president Kosuke Yamamoto, Sanwa Bank president Naotaka Saeki, Sumitomo Corporation president Kenji Miyahara, Mitsubishi Corporation president Minoru Makihara and Nissho Iwai president Masatake Kusamichi.

The Prime Minister said Malaysia has always been "foreign investment-friendly", saying that the government has encouraged FDIs since the early 60's as it believed that the FDI can and would always contribute much to the rapid development of the Malaysian economy.

"This policy will continue to play a key role in our effort to become a fully industrialised society by 2020," he added at the event also attended by the economic adviser to the government, Tun Daim Zainuddin.

Dr Mahathir acknowledged the the role of foreign investments in the development of Malaysia. "Malaysia has always prospered through opening itself early to direct foreign investments. Indeed the industrialisation and rapid growth of Malaysia is largely due to foreign investments."

He noted that Malaysia is trying to manage the difficult economic situation that it is faced with now.

"We think we may be able to manage but we need foreign long-term productive investments even more urgently," he said.

On the proposed Asian Fund, he said now that it was going to be an extension of the International Monetary Fund, "it has become much less attractive."

Dr Mahathir also said a bail-out from the IMF "does not guarantee our economic recovery", adding that "what is certain is that the bail-out would restrict Malaysia's freedom to design and initiate new ways of stimulating foreign direct investments and the implementation of new economic policies

and strategies."

He said restriction would limit the introduction by Malaysia of its economic management.

Dr Mahathir said despite the currency difficulty, local costs and prices had not gone up.

He said the government intended to keep wages at old levels through a campaign against wastage and unnecessary luxuries and encourage belt tightening.

The prime minister said foreign investors that Malaysia would continue to provide the efficient handling of investors' needs. "Bureaucratic processes would be reduced to the barest minimum. All old tax incentives and privileges will be continued."

He assured that a business-friendly government would make itself readily available even at the highest level to resolve any problem which may arise.

"We are willing to listen to and consider other ideas that that you may have for increasing Japanese investments in Malaysia," he told the business leaders.

Dr Mahathir said despite the so-called currency turmoil and lower growth, there was full employment in Malaysia, thus enabling the government to reshape the economy without too much cost to its people.

He said the people were fully supportive of the government that had elected with a huge majority. "In fact the attack on Malaysia currency and certain action directed against the country's leaders have only strengthened their unity and support for the government."

This has rendered the country politically stable and the government fully effective, he said, adding that the policies and approaches proposed by the government would not disrupt the equanimity of the people.

The prime minister said Malaysians fully supported the government's austerity drive towards making the country more competitive globally.

Earlier, Dr Mahathir had a meeting with members of the Wisemen Club of renowned Japanese corporate leaders. -- BERNAMA

MFJ SHY