

21 NOV 1997

M'SIA WON'T REJECT FOREIGN INVESTMENT IN PRODUCTIVE AREAS

KUALA LUMPUR, Nov 21 (Bernama) -- Prime minister Datuk Seri Dr Mahathir Mohamad said today Malaysia will not reject foreign investments in productive areas although its currency and stock markets have been severely affected by foreign manipulators and speculators.

Malaysia still welcome foreign investment in the manufacturing of goods and provision of services, but rejects short term investor in the stock market whose only interest is in capital gains, he said.

"No one I think will welcome the fly-by-night investor," Dr Mahathir said at the Second Canada-Malaysia Leaders Dialogue in Ottawa.

"We also do not welcome currency traders although the nature of their operation does not enable the country to keep them out.

"They can always borrow offshore ringgits and shares in order to dump them and depreciate their value. It is unfortunate that the world thinks these predators must be protected. They certainly do not make smart partners," Dr Mahathir said.

His speech, released here, was delivered by Education Minister Datuk Seri Mohd Najib Tun Abdul Razak.

Dr Mahathir said international capital flows have contributed to the growth of countries like Malaysia and to world trade in general. But capital flows do not always result in smart partnerships.

The really serious long-term foreign investments in productive activities do. But the short-term speculative hot money forays into the markets of developing economies don't, he said.

"They go in merely to make quick gains for themselves at the expense of their partnership. In the case of currency trading and share market investments, one partner gains a little but the other partner loses more than what was made by the investing partner.

"Thus in the case of Malaysia, while it loses some US\$30 billion in purchasing power terms, the currency traders made probably only a fraction of that amount."

Dr Mahathir said the investment by manipulators could not be termed smart as a whole lot of wealth created through hard work and prudent policies of a country was lost to the economy altogether.

The prime minister also said that although many of Malaysia's friends among the developed nations had said that the country's currency and market turbulence is a temporary phenomenon due to market forces, "we have a different view though."

"If we have such good fundamentals why has our currency been devalued by more than 30 percent?

"What is the benefit to be derived from this turbulence? Why is it necessary for the devaluation to take place or rather to be engineered at all?," he asked.

He said the devaluation of the ringgit by 30 percent had caused Malaysia to lose US\$30 billion (RM105 billion) but the attack was not over.

"Attempts are being made to devalue it further, to reduce our purchasing power even more," said Dr Mahathir, .

He also brushed aside perception that the devaluation would make Malaysia more competitive, saying that those who said this ignored the fact that all exported goods contained a fair percentage of imported contents which caused an increase in domestic prices and reduce any competitive advantage from the devaluation.

On Malaysia-Canada bilateral ties, he said the visit by Canadian prime minister Jean Chretien saw 35 contracts valued at RM550 million signed, in addition to several other government-to-government agreements.

He said Malaysian companies are looking at Canada as a viable prospect for investment, including areas in downstream petrochemical products, advanced electronics, telecommunications products, pharmaceutical products, industrial machinery and equipment as well as wood-based products.

As for information and communication technologies which Malaysia was developing into its second engine of growth, after the manufacturing sector, he said the Multimedia Super Corridor (MSC) project would not be confined to Malaysia alone.

The government planned to expand it to the Asian, European and North American countries in the near future, he said.

He also called on Canadian companies to make Malaysia as their springboard into the Asean market of nearly 500 million people as Malaysian firms consider Canada as their springboard into the North American Free Trade Area (NAFTA) market of 370 million people. -- BERNAMA

AD FR