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PM: Exchange controls a boost for businesses

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PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday said business has picked up since the enforcement of exchange controls, while the lower interest rates and better hire-purchase terms have stimulated retail business.

He added that other business activities have also picked up.

"Cheaper cost of money will help restore the purchasing power of the people and this is bound to help retail trade to recover," the Prime Minister told members of the Japan Department Stores Association attending its annual conference at the Shangri-La Hotel in Kuala Lumpur.

On the steady exchange rate, Dr Mahathir said this made it easier to plan and budget and, to achieve good profits.

He said although the Government was now in full control of the exchange rate, it had not strengthened the ringgit too much. This was to remain competitive against neighbours, whose currencies had also been devalued.

"We believe at RM3.80 to US\$1, we can remain competitive even if our neighbours' currencies are devalued further or are revalued," Dr Mahathir said.

In this context, he reaffirmed that Malaysia would not change the exchange rate "until the exchange rates of competing currencies are really too big and affects our competitiveness to a great extent".

"So you can be rest assured that your budgeting and price fixing in Malaysian ringgit will not be upset by sudden and extreme fluctuations in the ringgit exchange rate against other currencies," Dr Mahathir said.

On recovery prospects, he said that he was confident that the economy would recover and improve as the country was fundamentally strong.

"Today our economy is the most stable in Asia and traders and investors can do business with greater certainty," he said.

On business and investment, he said the Government was business friendly and it wanted to do everything to promote business especially when it derived much of its revenue from corporate taxes, which was now at 28 per cent.

Dr Mahathir said the policy of welcoming foreign investment particularly long-term investments, was reflected in the keen interest shown by investors in Malaysia.

Last year, 759 projects with a total capital investment of US\$7.4 billion (RM28.1 billion) were approved with 44 per cent or US\$3.3 billion, coming mainly from the United States, Japan, Germany, Taiwan and Singapore.

Malaysia also encouraged capital inflows. "However, we make a distinction between foreign short-term investment in the stock market and investment in productive capacities such as manufacturing," Dr Mahathir said.

On total Malaysia-Japan trade, Dr Mahathir said for the first seven months of this year, exports to Japan amounted to US\$4.64 billion while imports amounted to US\$6.84 billion with trade still in favour of Japan.

He added that Malaysia's total trade with Japan last year accounted for 7.2 per cent of Malaysia's global trade of US\$158 billion or RM442.39 billion, making Japan, Malaysia's second largest trading partner after the US.

Also present at the conference were the chairman of the Japan Chamber of Commerce, Trade and Industry, Tan Sri K. Suzuki; association chairman and

president of Isetan Company Ltd Kazumasa Koshiha; and the Japan's  
ambassador to Malaysia Issei Nomura.

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