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Mahathir-Capital

M'SIA STILL ATTRACTS FOREIGN CAPITAL, SAYS MAHATHIR

By: Muin Abdul Majid

HANOI, Dec 17 (Bernama) -- Datuk Seri Dr Mahathir Mohamad said today foreign capital is still coming into Malaysia despite the selective currency and capital controls introduced by the government recently.

The prime minister said Malaysia had no problem if foreign investments were flowing back into countries like South Korea and Thailand.

"No, it is not a problem with us. Foreign money is still coming in for productive capacities," he told a news conference before flying home after attending the Sixth Asean Summit which ended here yesterday.

Dr Mahathir was asked whether this development gave him any thought about revising the capital control measures.

"As far as we are concerned, we are not yet confident that if we open up, the same thing that happened before would not happen again like short-selling, bringing down the share prices and so on," he said.

He said investments in the stock market had slowed down simply because trustees of funds did not allow them to be invested in any country which controlled capital flow.

"We have spoken with them. They are keen to invest in Malaysia but because of this condition, they cannot (do so)...I mean the condition is as much theirs as it is ours," he said.

Dr Mahathir, who is also the first finance minister, said they (the trustees) did not allow their own investors to invest in Malaysia.

He also said that Malaysia could still achieve the targetted one per cent growth next year.

"For this year, the contraction can go as much as six percent or more but we feel that we can still achieve the one percent growth targetted next year," he said.

The government's earlier estimate on this year's gross domestic product (GDP) was a contraction of 4.8 percent.

However, the prime minister said latest figures showed that the contraction might be wider due to the effect of trying to practice IMF's style of policies previously which had brought a prolonged effect on the economy.

Consequently, it was not easy for the economy to recover, he said.

On Japan's plan to internationalise the yen, Dr Mahathir said it was in line with Malaysia's thinking that there should be more than just one currency to peg the ringgit.

He was responding to a question on whether Malaysia would like to see the yen becoming an international currency.

When asked what did internalisation meant considering the availability of the yen, Dr Mahathir said the Japanese currency was no doubt available but it was not being used as a currency for the settlement of debts, among others.

"At the moment, even Malaysia is using the US dollar...70 per cent of our trade is conducted in the US dollar," he said.

On the feasibility of establishing an Asean Currency and Exchange Rate System, Dr Mahathir said some discussions were held.

"But it would take a long time (for the set up) and we accept that it is going to take a long time," he said.

However, it was an idea that should be examined, especially the setting up of the Asean Currency Unit (ACU) which could eventually evolve into an Asean currency.

In the Hanoi Plan of Action, among others, it was stated that Asean will study the feasibility of establishing an Asean Currency and Exchange Rate system. -- BERNAMA

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