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AIG GETS FIVE YEARS' GRACE ON EQUITY RULING

KUALA LUMPUR, May 4 (Bernama) -- Prime Minister Dr Mahathir Mohamad said American International Group Inc (AIG) has been given a deferment of five years to comply with the government's ruling to sell down its stake in American International Assurance Co Ltd (AIA Malaysia) to 51 percent.

"We will give them five years to continue the deferment until such time when we are ready," he said after witnessing a joint venture agreement signing between AIG and Malaysia's Software International Corporation (M) Sdn Bhd (SI).

AIG and SI will form a Malaysian joint venture company to engage in information technology business in the Multi Media Super Corridor (MSC). Among others, it would involve investment for MSC's smart card applications.

The prime minister said other insurance companies would also be given five years' deferment to comply with the 51 percent ruling but AIG was considered first.

Dr Mahathir said the government could not discriminate other foreign insurers but in the case of AIG, the decision for the deferment was a very strong case.

At the World Trade Organisation (WTO)'s talk last year, Malaysia has decided to place a 51 percent ceiling on foreign insurance stake in local units.

AIG has a 100 percent interest in its Kuala Lumpur-based AIA Malaysia.

Malaysia had since the WTO's talks insisted that AIG divest part of its stake in AIA Malaysia.

On the joint venture, the Prime Minister said AIG would provide an initial capital of US\$10 million, which "I am quite sure is just a beginning."

He also commended AIG for having a reputation as a good foreign corporate citizen that kept its earnings in the country.

He also hoped that other companies would follow AIG's footsteps in their investment plans for Malaysia.

"In particular, foreign companies should follow AIG in its investment in the MSC, which Malaysia is aggressively promoting and also promised very good investments for every companies," he said.

"I hope this ceremony marks the beginning of a very active foreign direct investment from the US into Malaysia, which of course, will help us recover from our present difficulties," he added.

To a question, AIG chairman Maurice R. Greenberg said for the time being, the joint venture software company would not require much capital to start.

"As business grows, we will make available the capital," he said.

As to the amount that AIG would set aside for the investment, he said it would depend on the business but he declined to elaborate.

He also said there was a need for software skills, especially with the millennium bug problem and the shortage of skilled programmers, data processing engineers and system engineers to deal with the Y2K problem.

As the smart card business grew, AIA itself would also be investing in the card, he added.

Greenberg also expressed confidence in Malaysia's growth prospects and that of the region.

Greenberg explained that AIG was now working towards creating a

recovery fund for the region.

"We have been reinvesting all our reserves in the country and as a good corporate citizen we will continue to do that," he said. AIG has been operating in Malaysia for 50 years and currently employs 4,000 workers nationwide. -- BERNAMA

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