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Canberra spurring Aussie FDI here (HL)

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THE best way for Australia to help Malaysia is by getting Australians to invest here. The Australian Government is therefore telling its businesses to invest in Malaysia, its Foreign Minister Alexander Downer told Business Times.

In addition, there are plenty of opportunities which will yield good returns for their investments, Downer said, which is why his Government is not only encouraging Australian businesses to stay on course and not withdraw their investments from Malaysia, but also seek out new ventures.

"The depreciation of the ringgit against the Australian dollar has made Malaysia very attractive (for Australian investments)," he said.

Some decline in Australia's trade and investment with Malaysia is inevitable in view of the economic downturn but Downer is confident that the volume will pick up again when the crisis is over.

During the first seven months of 1997, total bilateral trade grew 2.1 per cent to RM4.9 billion, with Malaysian exports rising 11.7 per cent to RM1.9 billion and imports easing 3.2 per cent to RM3.0 billion.

As at end-June 1996, Australia's direct investments in Malaysia totalled A\$2.86 billion, making the country its fifth largest investment destination.

Malaysians in turn are also big investors in Australia, pumping in RM492 million in 1997, RM541 million in 1996, RM603 million in 1995, RM642 million in 1994 and RM186 million in 1993, Bank Negara figures show.

Downer, who arrived in Kuala Lumpur last Wednesday for a three-day visit at the invitation of Foreign Minister Datuk Abdullah Ahmad Badawi, believes that Australian companies currently with interests in Malaysia are in the country for the long haul.

Asked if he sees any hesitation on the part of Australian companies in further investing here following the regional economic crisis, Downer said: "I think that would be putting it a bit too strongly".

"Inevitably when an economy slows down, investors will assume a 'wait and see' attitude."

Downer stressed that he does not expect any withdrawal of Australian investments, especially those in the property, construction and consultancy sectors.

"They may not have much work right now but they are retaining their operations here as they know the economy will pick up in time and the business will return.

"They do not want to be fairweather friends. They want to be all-weather friends and are here for the long haul.

"(We see) not just Australian investments are on a decline... there is a downturn in all investments... but it will pick up again," he added.

The Foreign Minister described Australia-Malaysia relations as broad-based and "extensive", ranging from education to trade, and defence to politics.

Asked if the two countries are close to exhausting all avenues for cooperation, Downer said, "I do not think it is possible to exhaust avenues for cooperation in human activities... both countries recognise that there remains much scope for cooperation."

Take information technology (IT) for example, he said. Australia has a sophisticated IT and should be able to play a significant role in Malaysia's well-articulated vision to develop the Multimedia Super

Corridor (MSC).

"There is tremendous scope for cooperation in this area... a number of Australian companies have secured MSC status and we can also offer tremendous educational opportunities for Malaysia to develop knowledge-workers.

"We see this as an exciting development between the two countries."

During the visit, Downer met Prime Minister Datuk Seri Dr Mahathir Mohamad, Deputy Prime Minister Datuk Seri Anwar Ibrahim, Special Functions Minister Tun Daim Zainuddin and Education Minister Datuk Seri Mohd Najib Abdul Razak.

Asked what message he had for the Malaysian leaders from the Australian Government, he said Australia would like to see Kuala Lumpur staying on course for economic reforms despite the economic crisis.

The challenge, he said, is to get investments going again, to draw foreign direct investments back to the country to generate growth and domestic activities.

"We do not set ourselves as commentators of other countries but on the whole, we think the Malaysian Government has addressed the economic crisis in a constructive way.

"These are difficult times and we are sympathetic towards the Government, the country's economic managers and the business community... " he added.

Noting that Australia has provided a lot of assistance to countries like Indonesia and Thailand through the International Monetary Fund (IMF), Downer said Malaysia is in a different sort of situation as shown by the fact that it has not sought help from the IMF.

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