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Mahathir-Hot money

DR MAHATHIR SAYS M'SIA WELCOMES MORE FDIS, NOT "HOT MONEY"

KUANNTAN, June 13 (Bernama) -- Malaysia welcomes more foreign direct investments (FDIs) to the country but not "hot money" or speculative funds, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

"(As for) hot money, keep it hot elsewhere," he said amidst thunderous applause from a crowd of 2,000 who came from nearby villages to attend the opening of the RM700 million Pahang Cement Sdn Bhd factory in Bukit Sagu, near here, by the prime minister.

Dr Mahathir said: "I know that will affect the recovery of the economy but I want a healthy economic recovery. We do not want a recovery that is impermanent."

He added that Malaysia regarded genuine foreign direct investors as permanent contributors to Malaysia's industrial development.

"We always treat them as special guests of the country. They are different from the other kind of investors, especially on the stock market, who come and go," he said.

Dr Mahathir said those who invested in the stock market (foreign funds) were not permanent investors.

However, he said: "They are still welcome provided they invest for the dividends."

He said stock market prices had shot up to unrealistic levels in the past, sometimes by as much as 10 times the price of the asset value or profitability.

"Hot money" investors had dumped their shares when prices were riding high to gain hefty profits, he said, adding that this had had a damaging effect on local companies, local investors and the country.

"We will provide all necessary incentives (for foreign direct investors), but hot money is not what we welcome. For the foreign direct investors, we are prepared to go out of the way to welcome them. Their contribution towards Malaysia's industrial development is very valuable."

The prime minister said the country was now facing problems because of the depreciation of the ringgit and the fall in the stock market.

Companies were in distress and investors had taken their money out of the stock market, he said.

Referring to suggestions that the country provide the right signals to attract foreign investors, he said Malaysia had given various attractive incentives, which included tax holidays for pioneer industries for as long as 10 years.

"All I can do is to encourage them to come here. I cannot give them any more signals," he said in an apparent reference to a recent statement by the US ambassador to Malaysia, John R. Mallot, that Malaysia ought to send out the right signals if the country wanted the foreign funds to return.

"If you want to come here, I will welcome you and give you as much incentive as possible," he said.

Speaking at a news conference later, the prime minister said that when "hot money" wove in and out of the stock market, it would leave a trail of destruction.

"There are people who invest (in the stock market), provided that there is no control over them. They want to take 100 per cent of companies, do what they like and not conform to our national policy. If they come to take over banks and financial institutions because they are efficient at it (the business), that is good, but that will not be received very well by the

local people."

Dr Mahathir said foreigners must realise that investments in the country must benefit not only them but the host country as well.

He said although the country had stipulated that foreign interests could take up to 30 per cent equity in local companies, some of them had even exceeded 50 per cent.

"There is no way we can track them because that is something that comes very fast. And when they dump the shares to take up capital gains, local shareholders are left to bear the costs," he added.

Referring to bailouts, Dr Mahathir said many concerns had been raised about the interests of minority shareholders when bailouts took place.

"Yet when it comes to dumping shares, taking away the profits and leaving minority shareholders with practically nothing, nobody complains that this is unfair. Let us complain about all these unfair things," he added.

-- BERNAMA

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