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EXCHANGE CONTROL

EXCHANGE CONTROL DOESN'T MEAN A STOPPAGE OF FDI, SAYS PM

JOHOR BAHRU, Sept 29 (Bernama) -- Datuk Seri Dr Mahathir Mohamad said exchange control does not mean a stoppage of direct foreign investment in productive activities.

The Prime Minister said the fixed exchange rate would facilitate the drawing up of investment budgets and processing of goods for the domestic and international markets.

There will also be no restrictions in the repatriation of profits, he said in his speech read by Menteri Besar Datuk Abdul Ghani Othman at the official opening of Outokumpu Copper Products (M) Sdn Bhd in Pasir Gudang, near here, today.

"The business community, both foreign and local, should actually welcome this. Costly hedging is no longer necessary," he said.

Dr Mahathir said the overriding objective of the exchange control measures is to regain monetary independence and insulate the domestic economy from global economic uncertainties and manipulations.

He stressed that the changes are thus aimed at containing speculation on the ringgit and minimising the impact of the short-term capital inflows on the domestic economy.

"During a period of restructuring, there would definitely be much apprehension among foreign investors. I would like to take this opportunity to assure foreign investors that the government will continue to pursue pro-business policies for long-term investors," said Dr Mahathir.

The Malaysian government had on Sept 1 1998 enforced exchange control laws and pegged the ringgit at RM3.80 to US\$1.

Dr Mahathir said the prolonged economic and financial crisis since July 1997 had resulted in a contraction in the economies of the region after a decade of rapid economic growth.

Malaysia was not spared from this turbulence which had resulted in the contraction in almost all sectors of the economy in the first two quarters of this year, he said, adding that real GDP growth shrank by 2.8 percent and 6.8 percent respectively.

The prime minister said: "Against the continued adverse global developments, Malaysia had no other alternative but to take radical measures to put a stop to the basic causes of the economic downturn i.e manipulative devaluation of the currency and deliberate withdrawal of capital from the share market." -- BERNAMA

MKO SHY