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Exemption a signal of commitment

THE confirmation by Datuk Leo Moggie, the Energy, Telecommunications and Posts Minister, that companies with Multimedia Super Corridor (MSC) status will be exempted from capital controls should put many minds at ease. Since the measures were announced last week, the Multimedia Development Corporation (MDC) has been bombarded by queries on the status of such companies vis-a-vis the new controls. Amid confused queries about the capital controls, the message to investors planning to take part in the MSC that they will be immune from those controls must be conveyed loud and clear.

Many of the world's biggest names in information technology are already committed to making the MSC project an international success. According to the latest figures, 102 of the companies already granted the MSC status are foreign-owned or are joint ventures with foreign firms. There are altogether 171 MSC-status companies which are expected to invest RM2.1 billion in their first year at the MSC. Over 240 applications have been received to date by the MDC from companies wishing to be granted MSC status. The exemption from capital controls given by the Government to MSC-status companies is no small gesture. It shows that Malaysia is equally, if not more, committed than these companies in wanting to see the MSC succeed.

Information Technology (IT) has been identified by the Government as the future of Malaysia's growth. Before the start of the regional financial crisis in July last year, the Government had embarked on a very aggressive campaign to promote the MSC. Prime Minister Datuk Seri Dr Mahathir Mohamad toured the US, Europe and Japan to personally invite the likes of Bill Gates to strengthen the appeal and credibility of the Malaysian initiative. The MSC's International Advisory Panel which Dr Mahathir chairs consists of some of the world's best computer and business brains. The amount of money and time that has been invested by the Government is too large to let the financial crisis - and Malaysia's own response to it, by way of the capital controls - kill the momentum and cause these efforts to be in vain. If anything, IT and the MSC are the areas that the Government should continue promoting during these difficult times. Not only are we insuring our prospects in this future industry, the economic activities that will be spurred by the investments made by the MSC-status companies could contribute towards growth and economic recovery.

It must be stressed, loudly and clearly, however, that the introduction of capital controls by the Government does not mean that Malaysia has shifted away from its investor or business-friendly stance. The various government representatives in foreign countries must work overtime to convey to existing and prospective genuine investors that the controls are purely aimed at fending off unscrupulous speculators in the foreign exchange and stock markets. These speculators have made it difficult not only for the Government - as their actions create extreme volatility and huge losses on the local bourse and currency market - but were also making life difficult for genuine investors wishing to trade with locals. It must also be emphasised that Malaysia has always supported the free market system and would not have opted for capital controls if the international community had done its bit to discipline the speculators.

Foreign companies operating in other industries outside the MSC, whether it be agriculture or manufacturing, can rest assured that the Government

will do its utmost to be as efficient as possible under the capital controls regime. Those planning to invest should be informed that these controls are not aimed against them, but are meant to protect their investments and businesses in Malaysia. For more than one year, these companies, including the multinational corporations, have suffered due to the volatile currency and share prices, none of which were of their doing. Many of these companies are here to cater to the local as well as the export market. If the Malaysian economy had been allowed to go down as some of its neighbours had done, these foreign investors will lose as well. The capital controls were put in place precisely to put a stop to the slide.

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