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FDI

FDI REMAINS A KEY FEATURE OF M'SIA'S DEVELOPMENT PATH

KUALA LUMPUR, Oct 4 (Bernama) -- Foreign direct investment (FDI) remains a feature of Malaysia's development path as the country raises itself to a higher level of industrial development, an economist said.

Dr K. Govindan of the National Economic Action Council (NEAC) said the country is confident it can attract high and new investments in fresh areas in line with its resources and comparative advantage.

"As to the future of FDI in Malaysia, the government's policy is towards long-term investment flows in the areas of high value-added and new technology," he told Bernama here today.

Govindan said amidst the regional turmoil that the country is in, Malaysia has done its best to provide a smooth passage for FDI, adding that the onus is now on the genuine, long-term foreign investors to take advantage of the country's generosity and comparative advantage.

He said they should explore industries which generate new technologies, higher value-added and allow new skill formation among Malaysians in the areas of design, research and development and services.

"FDI assumes a heightened role not only to make up for the shortfall in domestic capital formation but more so as a source of new industries and advanced skilled formation among the Malaysian workforce," he added.

Govindan believed that Malaysia was moving in the direction towards rehabilitating its economy and gaining investor confidence, and this should diffuse concerns on whether the imposition of foreign exchange control would adversely affect the flow of FDI in the country.

He said Prime Minister Datuk Seri Dr Mahathir Mohamad has assured foreign investors that the exchange control measures do not pose any hindrance to FDI inflows into productive activities as there would be no restrictions in the repatriation of profits, dividends and capitals.

Govindan said more foreign analysts and bodies such as the World Bank and International Monetary Fund (IMF) now understand Malaysia's attempt to insulate itself from the negative contagion effect of the world.

"With the new measures, investors need not suffer a rude shock of collapsing ringgit," he said, adding that PK Basu, senior economist of Credit Suisse First Boston, was optimistic that Malaysia would be the first country in the region to emerge triumphant from the crisis.

He said several bodies also supported the moves taken by the country, including the United Nations Conference on Trade and Development (UNCTAD) which recommended that other developing countries adopt similar measures as protection from the vicissitudes of the world financial market instability.

"The World Bank, admitting that the IMF had erred in solving Asia's problems through its tough fiscal policies, has called for a radical change in international policies to prevent the Asian crisis from worsening.

"The best bit, of course, comes from Michel Camdessus of the IMF who now proposes broad reform of the international monetary system, which is long overdue," he said.

Govindan pointed out that these and other institutions were also recommending the lowering of interest rates to restore growth to ravaged economies, a measure Malaysia has already adopted and which it could not have implemented without the partial capital controls.

"Against this backdrop, it is clear that Malaysia is on the right track towards rehabilitating its economy and gaining investor confidence," he added.

Foreign interest in Malaysia remained strong, he said, with the government receiving applications for new manufacturing investments worth US\$5 billion (RM19 billion) in the first seven months this year.

Of this, US\$1.5 billion (RM5.7 billion) was by foreigners. -- BERNAMA
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