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Malaysian economy most stable in Asia

THE Malaysian economy is now the most stable in Asia. Its currency is no longer exposed to extreme volatility, the stock market raiders have been shut out, business has picked up, and the fundamentals have remained strong, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

Addressing a group of Japanese investors in Kuala Lumpur yesterday, Dr Mahathir said: "We have put in place stabilising policies and a regulatory infrastructure so that our economy will not be buffeted by destabilising activities of currency traders and stock market raiders".

"Now, traders and investors can do business with greater certainty," he said when opening a Japanese Department Stores Association (JDSA) convention.

The Prime Minister, who is also First Finance Minister, said for this reason the fixed ringgit/US dollar exchange rate of 3.80 will be maintained so long as the country remains competitive.

Top corporate leaders and executives representing 137 Japanese department stores are attending the convention. JDSA companies invested US\$37 million (US\$1 = RM3.80) outside Japan last year.

Dr Mahathir said the new exchange rate regime means that investors and businessmen can safely budget and price their products without running the risk of having them upset by sudden and extreme currency fluctuations, and as a result continue to achieve good profits.

Since the enforcement of exchange controls on September 1, business has picked up noticeably and the lower interest rates and better hire purchase terms have stimulated retail businesses and other activities, he said.

"Cheaper cost of money will help restore the purchasing power of the people and this is bound to help the retail trade to recover," he added.

In addition, since Malaysia has a trade surplus, there is more than adequate foreign exchange within the country to pay for imports and to service foreign debts.

"There will be no restriction on such foreign currency movements. You will be able to repatriate your profits in foreign currencies," he said.

While Malaysia still emphasises capital inflows, the Government makes a distinction between short-term investments in the stock market and those in productive capacities such as manufacturing.

"Stock market investments are mainly for capital gains and capital gains are not taxed. Besides, they can easily destroy the economy by (suddenly) pulling them out.

"This is what has happened... about RM600 billion or US\$150 billion in market capitalisation was lost," he said.

The Prime Minister said Malaysia welcomes long-term foreign direct investment in manufacturing and other sectors, preferably in technology- and capital-intensive industries.

"We can assure foreign investors that they will gain much by investing in Malaysia," he said.

Through such investments, Malaysia has become a more affluent society with high-purchasing power, making it a good market for foreign goods.

"Although we are now forced to promote made-in-Malaysia products, the popularity of foreign goods is still very strong," Dr Mahathir said, adding that the Government has removed most of import taxes to promote Malaysia as a shopping destination for foreign tourists.

He said Japanese department stores, like other foreign operations in

Malaysia, have contributed towards upgrading the quality of the retail business and the overall modernisation of the country.

Apart from providing jobs, these stores also source their supplies locally.

Being of high quality and yet competitively priced, these Malaysian products could be sourced by JDSA members for their stores worldwide, Dr Mahathir said.

The Prime Minister noted that of the US\$37 million that JDSA companies invested last year, 24 per cent, or US\$9 million, came to Malaysia.

"This is remarkable... coming from the four stores in Malaysia, out of some 85 member stores all over the world.

"These four stores generated US\$105 million in sales revenue or 3.4 per cent of total overseas sales revenue of the association members around the world," he said.

In the first seven months of this year, Malaysia's trade with Japan, its second largest trading partner after the US, totalled US\$11.49 billion. Last year, bilateral trade amounted to US\$27.25 billion, up 2 per cent from 1996. The trade balance was in favour of Japan for both periods.

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