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Mahathir-Economy

MALAYSIAN ECONOMY WILL RECOVER AND IMPROVE, SAYS PM

KUALA LUMPUR, Oct 5 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today he is confident that the Malaysian economy will recover and improve as the country is fundamentally strong.

He said stabilising policies and regulatory infrastructure had been put in place so that the economy would not be buffeted by destabilising activities of currency traders and stock market raiders.

"Today our economy is the most stable in Asia and traders and investors can do business with greater certainty," he said when opening the Japanese Departmental Stores Association conference, here.

Dr Mahathir said that since the enforcement of exchange controls on Sept 1, business had picked up noticeably.

He said lower interest rates and better hire purchase terms had stimulated retail businesses while other business activities had also picked up.

Saying that the cheaper cost of money would help restore the purchasing power of the people, Dr Mahathir said that this was also bound to help retail trade to recover.

"You may notice that although the government is now in full control of the exchange rate, we have not strengthened the ringgit too much.

"Originally, the exchange rate was at RM2.50 to one US dollar, but it is now fixed at RM3.80 to the US dollar," he said.

Dr Mahathir said that this was because Malaysia had to remain competitive against its neighbours whose currencies had also been devalued.

"We believe at RM3.80 to one US dollar, we can remain competitive even if our neighbours' currencies are devalued further or are revalued.

"We will not change the exchange rate until the exchange rates of competing currencies are really too big and affect our competitiveness to a great extent.

"So you can be rest assured that your budgetting and price fixing in Malaysian ringgit will not be upset by sudden and extreme fluctuations in the ringgit exchange rate against other currencies," he said.

Dr Mahathir said Malaysia would continue to encourage capital inflows.

However, he said: "We will make a distinction between foreign short-term investment in the stock market and investments 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 pulling out and taking their money and profits with them.

"This is what has happened during the present currency turmoil. About RM600 billion or approximately US\$150 billion in market capitalisation was lost," he said.

For Malaysia, Dr Mahathir said this was a tremendous diminution of its wealth and economy and "we can do without the dubious benefit of foreign direct investment in the stock market."

But at the same time, Malaysia welcomed long-term direct foreign investments in manufacturing as it would help the country's industrialisation programme.

"However, we are now short of workers and we would like more technology and capital intensive industries. We can assure foreign investors that they will gain much by investing in Malaysia," he said.

Through foreign investments, Dr Mahathir said, Malaysia had now become

a more affluent society with high-purchasing power and this had resulted in Malaysia becoming a good market for foreign goods.

"If you look around Kuala Lumpur or any Malaysian city, you will find a large number of new shopping complexes where all kinds of foreign goods are displayed for sale.

"Although Malaysia is now forced to promote Made-in-Malaysia products, the popularity of foreign goods is still very high especially among foreign investors," he said.

He also said the government had removed most of the taxes on imported goods and the prices are therefore very attractive.

Dr Mahathir said it had always been the policy of the Malaysian government to welcome foreign investment particularly long-term investments that would benefit both foreign investors and locals.

The policy of encouraging foreign investment was reflected in the continuing keen interest shown by investors in Malaysia, he said.

Last year, 759 projects with a total capital investment of US\$7.4 billion were approved with 44 per cent or US\$3.3 billion (RM11.5 billion), coming mainly from the United States, Japan, Germany, Taiwan and Singapore.

Out of the applications received, Dr Mahathir said 462 or 61 per cent were for new projects while 297 were from existing investors who proposed to expand and diversify their existing operations in Malaysia.

Meanwhile, Malaysia's total trade with Japan last year amounted to US\$27.25 billion, an increase of 2 per cent from 1996.

Dr Mahathir said that for the first seven months of this year, trade with Japan totalled US\$11.49 billion.

"Malaysia's exports to Japan in 1997 amounted to US\$9.93 billion, an increase of 5.4 per cent compared with 1996, while imports amounted to US\$17.33 billion, an increase of 0.2 per cent from a year earlier.

"For the first seven months of this year, exports to Japan amounted to US\$4.64 billion while imports amounted to US\$6.84 billion with trade still in favour of Japan," he said.

He also said Malaysia's total trade with Japan last year accounted for 7.2 per cent of Malaysia's global trade of US\$158 billion or RM442.39 billion, making Japan, Malaysia's second largest trading partner after the United States.

Last year, the wholesale, retail trade, hotels and restaurants as a group represented 12.3 per cent of Malaysia's total Gross Domestic Product (GDP), a slight decline from the 12.4 per cent share recorded the previous year.

Likewise, the sub-sector growth moderated to 7.5 per cent last year from 9.3 per cent recorded the previous year.

Dr Mahathir also said in the first half of this year, this sub sector contracted by 1.5 per cent compared with a 7 per cent growth recorded in the second half of last year.

Nevertheless, Dr Mahathir said the sub-sector of wholesale and retail trade was able to retain its dominance in the services sector, at end of last year, accounting for the largest share of 12.3 per cent of GDP.

"I am confident in the long term, this sub-sector will continue to expand," he said.

Touching on the Japanese Departmental Stores Association (JDSA), the prime minister said the total investment undertaken by this association last year around the world amounted to US\$37 million of which 24 per cent or US\$9 million was invested in Malaysia.

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

"These four stores generated US\$1.05 million in sales revenue or 3.4 per cent of overseas total sales revenue of members of the association

around the world.

"Malaysia is grateful giant Japanese departmental stores operating in this country namely Jaya Jusco, Isetan, Sogo as well as specialty stores such as Kinokuniya, Maruzen, Nihonbashi and Mori-Toys have set up joint venture businesses with us," he added.

Also present at the conference were the chairman of the Japan Chamber of Trade and Industry Malaysia (Jactim), Tan Sri K. Suzuki, Isetan Company Ltd president Kazumasa Koshiba and the Japanese ambassador to Malaysia, Issei Nomura.

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