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DR M EXPLAINS BUMI SHARE SALE POLICY TO FOREIGNERS

By: Yong Soo Heong

HANNOVER, March 20 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said the government's decision to allow bumiputera companies to sell their shares to non-bumiputeras and foreigners is to prevent good and well-managed firms from going under in the aftermath of the South East Asian economic turmoil.

Speaking during a question and answer session yesterday after he had delivered a keynote address on South East Asia after the economic crisis -- future challenges and prospects, he said this policy shift was similar to the one adopted in 1985 when Malaysia faced the economic recession.

During that time, the government decided to allow foreign companies to have 100 percent equity ownership in their manufacturing operations in the country if they exported all their products and met the requirements regarding the recruitment of local workers.

Dr Mahathir said it was not that the affected bumiputera companies were not well-managed but said any company would face difficulties if they were affected by the regional economic turmoil.

By allowing bumiputera companies to sell some of their equity to non-bumiputeras and foreigners, this would prevent them from going bankrupt, he explained.

However, the prime minister, in indicating that there was no abandonment of the bumiputera policy government's part, said it was essential that the equal distribution of wealth to the bumiputeras and non-bumiputeras must be maintained to ensure harmony in the country.

He said the fact Malaysians had been united in facing the current economic crisis reflected well on the harmony between the different races.

He said the fact that non bumiputeras had been able to progress during the past decade showed that the bumiputera policy was not an impediment to them.

Through the bumiputera policy, the equal distribution of wealth according to the ethnic composition was effected successfully, he said.

Referring to the so-called contagion effect from the regional currency crisis, Dr Mahathir said it was also mystifying that the Malaysia, which was a country with good economic fundamentals, was lumped together with other countries which were having problems.

This misconception, which led to a loss of confidence by foreign investors, had also caused the country to lose some US\$200 billion in a matter of months.

Earlier on, Dr Mahathir said in his keynote address that the road to recovery would be long and painful.

He said the currency speculators had taken advantage of the volatility of the currencies in this region.

He said if there was stability in the currencies, then they would not be able to profit.

Because there was volatility, speculators used the contagion effect as an excuse to speculate for their own advantage.

"If a currency is stable, you cannot make even one sen," he said.

Dr Mahathir again called for greater recognition of the need to regulate currency trading so that there would be greater transparency.

Asked when the economic turmoil would end, he did not provide a direct answer but said as long as currency speculators could trade without transparency, the potential for problems would be there.

Referring to the merger process of local finance companies, he said they would be completed by the end of this month while that of banks would take a little longer. -- BERNAMA

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