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Daim: We'll consider investors' views (HL)

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KUALA LUMPUR, Tues. - First Finance Minister Tun Daim Zainuddin said the Government is listening to various opinions expressed on the selective capital control measures, particularly from foreigners.

As Malaysia was an open economy which welcomed foreign investment, the Government would listen to any good advice.

"We will consider all the various options and advice given by them," Daim told Bloomberg television in an interview aired by Astro today. The interviewer, Jane Lee, had asked Daim on measures needed as a first step to ease capital controls.

Daim who is also Special Functions Minister said the foreigners were from time to time giving their inputs and they argued that something had to be done about the capital controls.

He, however, maintained that the measures were only selective controls which did not affect long-term investment.

Yesterday, Prime Minister Datuk Seri Dr Mahathir Mohamad told 28 visiting fund managers that Malaysia was considering the introduction of an exit tax for the early repatriation of capital.

The tax will replace an existing regulation imposed on Sept 1 last year to disallow foreign investors from repatriating the principal of portfolio investments until Sept 1 this year, or 12 months from the date of investment, whichever is later.

The holding period was introduced as part of a series of controls to insulate the country and the ringgit from speculation, and to minimise the effects of the economic crisis.

The group of fund managers, brought in by Government adviser Salomon Smith Barney, this morning held separate meetings with senior officials of Petronas, Telekom Malaysia Bhd, Tenaga Nasional Bhd and YTL Corporation Bhd.

Besides meeting Dr Mahathir yesterday, the group had also met Daim, Danamodal Nasional Bhd chief executive officer Mohd Daud Dol Moin, Pengurusan Danaharta Nasional Bhd chief executive officer Azman Yahya, the Corporate Debt Restructuring Committee chairman Datuk C. Rajandram, and Bank Negara deputy governor Datuk Dr Zeti Akhtar Aziz.

During the Bloomberg interview, Daim said Japan was prepared to lend more money to Malaysia at interest rates of below four per cent.

Making it clear that raising funds to recapitalise banks and stimulate the economy was not a problem, he said he had met visiting officials from Japan's Finance Ministry to discuss the matter.

"They want to know what other projects we have in mind. So I have listed the projects," Daim told the interviewer who asked how Malaysia would raise the remainder of the RM60 billion required to "fix banks and stimulate the economy" after having raised about half the amount.

Daim said besides considering the possible Japanese loan, the Government would raise domestic bonds where the savings rate of 40 per cent was a plus.

"We will have plenty of cash in EPF (Employees' Provident Fund), Petronas, Socso and even Tabung Haji. That's no problem. We don't see any problem for the year ... up to the year 2000."

On the disbursement of the funds under the US\$30 billion (RM114 billion) Asian rescue package, Daim said while the Japanese Government was not slow, its civil servants wanted to go into details.

Daim, who is also executive director of the National Economic Action Council, was asked on the possibility of raising foreigners' limit on the ownership of banks.

He said Malaysia could not be compared with Thailand and South Korea as there were 16 foreign-owned banks here.

"And if local banks were listed, 30 per cent are also sold to foreigners. In fact, certain banks exceeded 31 per cent without our knowledge," he said, adding that for this reason "the parties concerned had been asked to declare because nominees could not hold shares".

"Now we have realised that they have exceeded 30 per cent. So one cannot compare that way," Daim said.

The interviewer had pointed out that Thailand was selling stakes in its banks and so was South Korea.

"Thailand never had foreigners owning banks. Neither did Korea," Daim replied.

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