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Dr M: Decision on exit tax will be announced in a few weeks

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SEPANG, Mon. - In a further hint of possible relaxation of selective currency exchange rate controls to facilitate early repatriation of funds, Datuk Seri Dr Mahathir Mohamad said a decision favourable to Malaysia and foreign investors would be announced within a few weeks.

The Prime Minister said today the exit tax was one of the areas being studied through which the Government could earn some money from the sum to be repatriated.

He said an estimated 23 per cent of the Kuala Lumpur Stock Exchange's market capitalisation - which now stood at about RM300 billion (with the Composite Index at 600 points) - was held by foreign investors.

"They (foreign investors) brought in less but since the market has appreciated, their holdings are much more," Dr Mahathir told a Press conference on his arrival at the Kuala Lumpur International Airport after attending the World Economic Forum in Davos, Switzerland.

He said the Government had not yet decided how to treat capital brought in and the capital gains made.

The regulation imposed on Sept 1 last year disallows 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 Prime Minister said the announcement would depend on the study by the National Economic Action Council and the Cabinet.

While acknowledging the possibility that a lot of money might flow out after the deadline, Dr Mahathir said he did not think this would be the case.

Asked to explain, the Prime Minister said: "Because the investors make a lot of money here and many want to come in and not go out."

On Jan 25, Dr Mahathir told visiting fund managers that Malaysia was considering the introduction of an exit tax for the early repatriation of capital.

Dr Mahathir's remarks were followed by First Finance Minister Tun Daim Zainuddin who, in an interview with Bloomberg television a day later, said the Government was listening to various opinions expressed on the selective capital control measures, particularly from foreigners (See Page 2).

At the KLIA today to welcome back Dr Mahathir were Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi, Transport Minister Datuk Seri Dr Ling Liong Sik, Deputy Health Minister Datuk Wira Mohd Ali Rustam, Deputy Minister in the Prime Minister's Department Datuk Ibrahim Ali and other dignitaries.

In Davos, the Prime Minister met entrepreneurs, bankers, fund managers and editorialists to explain Malaysia's currency exchange rate controls.

He said fund managers and bankers now understood the policy better and believed it was not restrictive.

At the same time, some critics had ignored the argument that China, too, adopted a similar policy but had continued to enjoy rapid growth, the Prime Minister said.

Dr Mahathir, who was also asked whether he saw greater acceptance of Malaysia's position on currency trading, said: "There is better understanding, better appreciation and more support for some control or regulation of currency trading."

Commenting on Johor and Terengganu Governments' requests for highway

projects, Dr Mahathir said this would hinge on the people's willingness to pay toll.

He added that the Government did not have adequate funds to build such highways. He said if the users were not willing to pay, highway construction would take a long time as the authorities had to wait for the availability of funds.

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