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Foreign investors likely to flock back with polls

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The local equity market should see foreign investors flocking back to its shore once the electoral mandate is given now that the general election is scheduled to take place.

The much awaited election is generally seen by the investors as the last missing piece of the Malaysian economic jigsaw.

Most international investors pinpoint the current political climate as the biggest contributing factor towards their "wait-and-see-attitude" before making any decision on investment in Malaysia.

"Generally we are hesitant because we lack confidence and are sceptical about the recovery in the economy. You have to understand that the recent crisis saw us caught with our pants down," said an international equity investor.

"The best thing the country can do now is to get the general election over and done with. Once a new Government is formed, we will at least have a five year-base to work on," said the American investor.

The longer Malaysia takes to go to the polls, the recent success of the country through the hard work of the "rakyat" and the selective capital controls seemed to be mitigated daily.

"We are not talking about political instability, Malaysia does not have this problem. But the political uncertainty that exists does not help either," he added.

With the imposition of the selective capital controls in September last year and the "negative" perception that foreigners have on the move, Malaysia was put to task to rectify its souring image.

On top of the economic crisis, the country had to contend with an "image" crisis. While trying to overcome an economic crisis, Malaysia had to also embark on a public relations exercise explaining the alternative approach adopted by it.

The hard work has been rewarded when the economic figures started to show a recovery. Many previous opponents of the capital controls are now its biggest proponents and investors are now applauding the controls as a shelter from instability during the economic turmoil.

An example is Joseph Stiglitz, chief economist of the World Bank who said that the adverse effects "predicted or wished upon" Malaysia, following the imposition of the capital controls had not occurred.

He went on to say that foreign direct investment (FDI) into Malaysia has not been reduced significantly and this is evident from the statistics released recently from the Ministry of Finance's Economic Report (see accompanying chart).

The statistics indicate that the total FDI from 1997 to August 1999 stands at RM32 billion, of which RM7.5 billion is attributable to the first nine months of 1999.

A local bond salesman said although he is beginning to see an increase in interest for local debt, foreign investors still believe that investing in Malaysia is risky.

But on the local front, things are improving.

"Our debt sales is improving and for the first time in Malaysia, we are offering a corporate bond with a 18-year tenure and 90 per cent of it is has been taken up locally.

"Previously this kind of tenure would have been unheard of," he added.

At a recent dinner between foreign investors and business journalists,

one of them made an interesting remark when he said:

"When I was first told I was coming to KL, I shrugged it off thinking it was going to be a drag based on my experience three years ago. But the moment we touched down at Sepang airport I knew significant changes must have taken place."

Almost bewildered, he asked the local journalists how Malaysia developed the new airport, the world's highest twin towers and the Sepang F1 complex, all during an economic crisis?.

"Weren't you supposed to be in a recession? I am impressed, this is not the scene I expected. You guys look like you are an industrialised nation," said the Hong Kong-based investor.

All that is left to be said is: "Don't judge a book by its cover", and in the same breath, Malaysia should also not be judged by the recent covers of international news magazines or media footage.

Meanwhile, the Kuala Lumpur Stock Exchange rebounded more than 20 points yesterday morning after getting a whiff of the impending general election when Prime Minister Datuk Seri Dr Mahathir Mohamad made a last-minute cancellation of his trip to South Africa.

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