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NEAC-INVESTORS

MALAYSIA TO MAKE ADJUSTMENTS TO ATTRACT FOREIGN INVESTORS

KUALA LUMPUR, Jan 25 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia will make certain adjustments to attract more foreign investors and this will be announced in due course, according to a late statement by the National Economic Action Council (NEAC) today.

Addressing concerns by fund managers on the possible outflow of capital from the country following the introduction of selective exchange controls last September, he said the government is considering the introduction of an exit tax for the early repatriation of capital.

The Prime Minister stated this in a meeting with 28 fund managers from Europe and the United States, brought in by financial adviser Salomon Smith Barney.

During the meeting, Dr Mahathir asserted that the Malaysian economy is recovering well and assured foreign fund managers there will be no changes in the government's economic policies.

"The economic problems were due to currency trading and stock market manipulation. We have dealt with that and the rest remains unchanged," Dr Mahathir said.

He reiterated that the selective capital control measures imposed do not mean the government is against foreign direct investment.

"We are not going to cut ourselves (off from the global economy)", Dr Mahathir said, maintaining that foreign investors had played a major role in developing the economy over the years.

He reasoned that the capital controls, in fact, had shown positive results, judging from the trade surplus and the remarkable increase in Malaysia's foreign reserves and well as rises in exports in US dollar-term.

The measures, which led to the closure of Singapore's Central Limit Order Book (CLOB), had an impact on the Kuala Lumpur Stock Exchange which is now trading at more than 600 points after falling to as low as 262 on Sept 1, 1998.

On the re-trading of CLOB shares on the KLSE, he said: " We will find a solution to the trading of CLOB shares but the solution should not damage us. In order to be fair to them, we cannot be unfair to us... We are studying the matter carefully."

Meanwhile, in a meeting with NEAC executive director and Finance Minister Tun Daim Zainuddin later, the fund managers were briefed on the background of the NEAC and were told that the council is in full control of developments in the economy.

Daim said the NEAC would continue its work until the country is back on a steady growth path but in the meantime, he pointed out there are still external factors that could derail Malaysia's recovery plan which needed monitoring.

He expressed concern about developments in Brazil and the possibility of a devaluation in the Chinese yuan, which he said would cause problems for the whole of Asia.

What is controllable, he said, are internal issues and the government is focusing on this. He referred to the food production sector where food imports were down by RM1 billion last year due to the higher consumption of local products.

The fund managers were also briefed on how the government was tackling problems of excess capacity in the system and property market. Here, Daim stressed that the government is pro-business and always ready to listen to

its advisers and critics.

Besides Daim, the fund managers too had discussions with Encik Mohamad Daud, CEO of Danamodal Nasional Bhd, Encik Azman Yanya, CEO of Pengurusan Danaharta Nasional, Datuk C. Rajandram, chairman of Corporate Debt Restructuring Committee, and Datuk Dr Zeti Akhtar Aziz, deputy governor of Bank Negara.

A report prepared for the fund managers by Salomon Smith Barney stated that the economy is showing signs of bottoming out as the GDP for the third quarter had increased, on a quarterly basis, by 2.3 percent.

Initial indicators such as greater stability in the currency, stock market and financial system, pointed to the success of the controls which is contributing to discernible revival in consumer and investor sentiments.

Other indicators include lower lending rates, higher loan approvals, rise in foreign exchange reserves by US\$6 billion to US\$27 billion as at December 1998, recovery in consumer demand and greater optimism among investors.

Passenger car sales, it added, had increased to 16,427 units in November 1998 from a low of 5,724 in February the same year while the number of employees retrenched had declined to 5,137 in December from a peak of 12,335 in July.

In US dollar-term, it said exports had fallen by 8.4 percent between January and November 1998 but showed a growth since October on year-on-year basis.

Over the same period, also in US dollar-term, imports had declined by 27.1 percent and this had yielded a trade balance of US\$13.1 billion.

Similarly, Salomon Smith Barney said the nation's GDP continued to contract on a year-on-year basis but is growing on a quarter-to-quarter basis.

Year-on-year contraction rose to 8.6 percent in the third quarter of 1998, from 6.8 percent in the previous quarter, but quarter-on-quarter GDP rose by 2.3 percent. -- BERNAMA

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