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US group: Business as usual (HL)

KUALA LUMPUR, Thurs. - A key US business group said today the jailing of sacked former Deputy Prime Minister Datuk Seri Anwar Ibrahim was a Malaysian issue and would not immediately harm the country's business environment.

"The verdict is a Malaysian issue and still in play in the Malaysian courts as we understand it," Reuters quoted president of the Washington-based US-Asean Business Council Ernest Bower as saying.

"Today we don't see it affecting the business environment in Malaysia," he said after talks with First Finance Minister Tun Daim Zainuddin.

"We are here to underline our commitment to Malaysia and we are looking for trade and investment opportunities."

Bower, part of a 40-member US delegation, was speaking at the end of four days in Malaysia talking with Government and business leaders.

Daim briefed the group on Malaysia's bank restructuring, economic conditions and privatisation.

The two sides also discussed efforts to speed up a tax treaty between Malaysia and the United States.

Anwar was sentenced by the High Court here yesterday to six years' jail. The conviction triggered street clashes between outraged Anwar supporters and the police and drew a sharp rebuke from the United States and other governments and rights groups.

Washington has harshly criticised the legal action against Anwar and expressed indignation over his assault in police custody.

But the US business group played down the Washington-Kuala Lumpur row and said ties remained good.

"I think sometimes the media has promulgated the image Malaysia and the United States aren't getting along. But if you look in the streets, I think we get along quite well," Bower said.

He said his business council remained bullish about Malaysia's economic prospects and said the country was quickly recovering from prolonged regional financial crisis.

The group said the US was the top foreign investor in Malaysia in 1998. Malaysia was the second-largest US trading partner in Asean.

Meanwhile, Singapore's Business Times reported that foreign funds have begun returning to Malaysia and the six-year jail term imposed on Anwar will not affect portfolio flows much in the medium or long-term.

Fund managers and brokers in the UK and Singapore said Anwar's sentence yesterday may cause only a short-term pause, the newspaper reported.

"In the past few days, I received enquiries from three fund managers who want to invest in Malaysia again. In the month prior to that there were seven, compared with zero a few months back," a UK broker was quoted as saying.

The report said before Anwar's sentence, brokers and fund managers had observed a change in foreign sentiment towards Malaysia because Asia is once again benefiting from surplus cash that is re-entering emerging markets.

A London-based fund manager told BT: "The weighting in Malaysia is almost zero for most of us. Even though the market is not that cheap following its rally, there's a desire to raise exposure in a market that was previously the second largest in Southeast Asia."

BT said global custodians of share certificates reported to one London

broker that Malaysia was experiencing net capital inflows again.

If confirmed and that Malaysia was reinstated in the Morgan Stanley Capital Index, fund managers will automatically reallocate funds in their portfolio to Malaysia, said London brokers.

"We are jumping the gun with a two per cent weight in Malaysia," said a research report by Deutsche Bank.

The bank believed the market would continue to rise because of declining interest rates and monetary expansion.

Singapore-based analysts and fund managers were more concerned about the health of Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad and how long he would continue to lead the country as well as the policies of his deputy Datuk Seri Abdullah Ahmad Badawi if he succeeds him, said BT.

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