

# Policy shift seen to allow foreigners to buy strategic

assets

Bt 30 Oct 2000  
MALAYSIA'S move to allow foreigners to buy strategic assets such as airlines and cars marks a policy shift in a nation that has turned its back on world markets since 1998.

Finance Minister Tun Daim Zainuddin, who unveiled the move in his Budget 2001 last Friday, said the Government may even consider allowing foreigners to run airports and other national assets.

Two years after Malaysia burned foreign investors with strict selective capital controls — its answer to the 1997-1998 financial crisis — the country is now eager to have them back.

"It is quite clear we are facing new realities and we have to go out there and compete aggressively for foreign money," Encik Nazir Razak, a prominent banker said. "Before the crisis, we had a lot of money."

Businessmen welcomed the move to permit foreign equity in national carrier Malaysia Airlines and national car-maker Proton, two assets closely guarded by the Government.

Analysts have tipped Swissair as the most likely equity partner for debt-heavy Malaysia Airlines.

"We must compliment the Government for signalling that we would allow foreign equity in major companies like Proton and Malaysia Airlines," said Tan Sri Francis Yeoh, managing director of YTL Corp.

Hardly 24 hours after the budget speech, Prime Minister Datuk Seri Dr Mahathir Mohamad flew to Hong Kong where he held talks with tycoon Li Ka-shing.

Li's flagship Hutchison Whampoa said last month it agreed to take a 30 per cent stake in Malaysia's Westport.

In a further move to appease foreign funds, Daim also reviewed the selective capital controls and will now allow investors to take out their profits after one year without paying the 10 per cent exit levy.

Fund managers cautiously welcomed the move.

"It's good news but it is still unclear as to the timing and implementation. The Government still has to regain the trust of foreign investors," said Ms Margaret Gadow, fund manager at Gatmore Investment Management's emerging markets team.

But the ringgit peg, the cornerstone of the selective capital controls, was likely to stay in place for a long time, bankers said.

Daim also announced incentives to lure skilled Malaysians back from abroad and draw "the best brains from Bangalore to California" to help further Malaysia's high-tech ambitions.

Malaysia is short of skilled technology workers to meet demands at its high-tech zones near capital Kuala Lumpur and in northern Penang state.

Under the changes announced last Friday, returning Malaysians will no longer have to pay income tax on income remitted within two years of their arrival date.

In addition, foreign spouses and children would now be given permanent resident status within six months of their arrival. — Reuters