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Investors ought to know best

FOREIGN direct investment (FDI) has picked up in recent months after quite a long stretch of decline. That should be good news, especially for those who feared that the drop in FDI earlier this year was a sign of an economy that no longer could attract foreign capital. The economists quoted in an article published by a foreign-owned journal printed locally, however, did not seem convinced. And quite desperate in their reasoning, too.

For example, they said they fear that Prime Minister Datuk Seri Dr Mahathir Mohamad's frequent criticism of western industrialised countries with regards to globalisation and Asia's financial crisis would give foreign investors pause. The trial of former deputy prime minister Datuk Seri Anwar Ibrahim could also cause some investors to ponder the political issues in Malaysia, according to some of them. The capital control imposed by the Government in September 1998 is another favourite spectre of these analysts. According to a foreign-owned journal distributed here, some investors are staying away from Malaysia because they have "unpleasant recollections" of the shock caused by capital controls.

Foreign investors, big and small, deserve more credit than this journal and the analysts it spoke to were prepared to give. Motorola has been in this country longer than Dr Mahathir has been prime minister and recently declared it would invest a further RM300 million to upgrade its research and development facility. Many other companies are doing the same and most of them have been in this country before the Prime Minister spoke a word against globalisation. Qantas is said to be interested in buying a stake in Malaysia Airlines and could be spending over RM2 billion. Big foreign names were investing in local telecommunications players even as the regional economy was facing a slowdown. Nippon Telegraph and Telephone wanted to buy into Telekom Malaysia. Singapore Telecommunications Ltd wanted a piece of Time dotCom. And this newspaper reported in June that Templeton Asset Management Ltd was coming back to invest, just about a year after it said that it would not return to Malaysia because of the capital controls.

There are many others who have stuck with Malaysia throughout the Asian financial crisis and domestic economic downturn. The foreign partners of Perusahaan Otomobil Nasional did not quit even though the national car manufacturer was performing quite poorly. The foreign partner of Perodua, the second national car manufacturer, is keen now to make the company its regional manufacturer and will increase its investment in the Malaysian company if it decides to do that. All the approved investments from foreigners who want to set up a base in the Multimedia Super Corridor were made during the crisis and while there were supposed to be political upheavals in this country following the sacking of a deputy prime minister.

The smaller flow of FDI into Malaysia is also partly by design. The Government's emphasis on capital and technology-intensive FDI has forced many foreign investors looking for abundant and cheap labour in this region to look elsewhere, such as Thailand, the Philippines and Indonesia. Since the middle of the last decade, Malaysians have established themselves as major investors in their own country, thus reducing the country's dependence on FDI in various areas. With the economic recovery, they are expected to feature more prominently in the coming years.

FDI, of course, will continue to be crucial to the development of the

country. But it's quality investment that Malaysia is interested in, not quantity. And like Datuk Seri Rafidah Aziz said, if there are investors out there who admit having doubts in Malaysia because of the capital controls or in its Prime Minister for speaking out against the West and globalisation, well, it's quite obvious that they lack the quality Malaysia looks for in a foreign investor.

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