

# Malaysia to speed up

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MALAYSIA will speed up corporate reorganisation, ease rules on stock sales for ailing companies and improve transparency in an effort to lure investors, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday in Kuala Lumpur.

The Government will also keep interest rates low to encourage borrowing and fuel economic growth, and keep the ringgit's peg to the US dollar, he said.

Mahathir's comments to investors and regulators at a capital markets conference as the Government ac-

celerates efforts to clean up as much as RM8.7 billion of overdue debt.

The debt overhang has discouraged banks from lending and acted as a drag on growth. Last month, the Government gave banks and debtors a three-month deadline to submit plans for their bad loans.

Investors, warming to the attempts at reform, have helped make Malaysia's benchmark Kuala Lumpur Stock Exchange Composite Index (KLCI) the second-best performer in the world the past three

months, up 21 per cent. Yesterday, it rose as much as 0.7 per cent to 692.21, its first gain in four days.

"The mood has improved on his actions towards restructuring of indebted companies and a little less on the favouritism of the past," said Douglas Clayton, managing director of Indosuez W.I. Carr Securities Pte, who attended the conference.

"Investors are looking at Malaysia."

In July, a state investment arm offered RM3.7 billion to buy United

## corporate reorganisation

Engineers Malaysia Bhd in a bid to take control of parent Renong Bhd — the biggest debtor — and hasten asset sales to help pare debt.

Not all investors are rushing to buy Malaysian stocks. "Malaysia needs to make sure the action is broad-based and sustainable, it shouldn't be a short-term campaign," said Phua Lee Kerk, who helps manage S\$350 million (S\$1 = RM2.20) at APS Management in Singapore. His fund's exposure in Malaysia is "minimal" and doesn't plan to increase it anytime soon.

Dr Mahathir needs to quicken its effort to help lure back investors, stung by the Government's imposition of capital controls during Asia's 1997-1998 financial crisis, trapping as much as RM10 billion of portfolio funds for a year.

"We are also beginning to see results in enhancing corporate governance and transparency, restructuring and cleaning poor performing companies," Dr Mahathir said.

A global economic slowdown is also hurting the country's economy. The central bank last month said it

will lower its forecast of between 5 per cent and 6 per cent growth in 2001, because of falling electronics orders from the US. The economy grew 8.3 per cent last year.

That has hurt some of the country's biggest companies from Malaysian Pacific Industries Bhd to Malayan Banking Bhd which last month reported declining profit.

Interest rates are "low enough", Mahathir said. "People are borrowing, and (deposit) rates are sufficiently high for people to save." — Bloomberg