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Mahathir-FDI

GOVTS MUST BE SMART WHEN DEALING WITH FDI, SAYS DR MAHATHIR

By: Mikhail Raj Abdullah

KAMPALA, Aug 20 (Bernama) -- Governments must be smart when dealing with foreign direct investments (FDIs) to ensure that the investors are genuine partners who will not abandon the country when things go bad, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

He said: "They have to stay and experience the pain and share the pain with us."

"Governments should regard them as smart partners deserving the best treatment that partners are entitled to," he said at the Global 2001 Smart Partnership International Dialogue at the Speke Resort in Munyonyo Village, some 15km from here, Monday night.

While foreign investors should be welcomed and the red carpet laid out for them, it was important not to ignore domestic investments no matter how small they were, he said.

"In time, local investments would grow quite big and "can be relied upon to stay put in times of economic distress. It is important to remember that local investors are our true partners, they really have a stake in the prosperity of the country.

"Unlike foreign investors, they cannot just pull out when things go bad," he said in his speech themed "Enhancing the Climate for Foreign Direct Investment through Smart Partnership."

Addressing some 600 international participants, mostly from Africa and a sizeable number from Malaysia, he said: "If we are smart, and smart partnership obviously requires us to be smart, then we must ensure that FDIs will result in a smart partnership between us and them."

Also present at the dinner were Datin Seri Dr Siti Hasmah Mohd Ali and several heads of government from Africa, including South Africa's President Thabo Mbeki, Mozambique President Joaquim Chissano and Ugandan President Yoweri Kaguta Museveni, who is hosting the dialogue which for the first is being held in East Africa.

Dr Mahathir said foreign investors were welcome to enjoy the comparative advantages such as low labour costs offered by the country, "but we should get in return a small share of the wealth generated and acquire some of the skills involved."

He also said that workers should come on board in all the government's smart partnership endeavours and should be told of the benefits of regarding themselves as partners in businesses, whether foreign or locally owned, which the government promotes.

However, he highlighted the importance of industrial peace, saying "there is nothing like industrial peace to attract investments," which was why taking industrial action to raise wages would only work for a short while.

"If the industry fails to make profits, it will not expand to create more jobs. It may even close down and instead of higher wages, the workers may be thrown out into the streets," he said.

While workers should be on the lookout for exploitation of labour, they should not be carried away by the power of industrial action and the sense of injustice to the point of making investments unattractive.

"We will be killing the goose that lays the golden egg," he said.

Dr Mahathir also reiterated his call for the imposition of a world tax especially on rich countries which derive opportunities to make even more wealth from globalisation.

"I think it is only fair that these countries pay statutory taxes to the world because they are considerably enriched by the world," he said.

"I hope the rich countries which benefit most from globalisation and a borderless world would accept this tax even if they are already providing aid to some poor countries," he said.

He said: "The rich will not even take note of this proposal, but if they want the poor to come onboard with their World Trade Organisation and globalisation, they should make wealth-sharing quite certain by agreeing to this world tax."

"I hope the poor countries will not reject this idea," he said.

Dr Mahathir said this tax should be in addition to aid which was not only insignificant, but put the recipient countries under obligation.

He said that the world tax should be for the construction of needed infrastructure for the poor countries.

Infrastructure such as ports, airports, highways, canals, rivers, power plants, railways, etc would not only catalyse their development and access to world markets, but contribute much towards economic development.

He said that these infrastructures would not only facilitate the opening up of these poor countries when completed, making their exports more competitive and their imports cheaper, but their construction work would create jobs and generate wealth for these nations.

The subsequent maintenance through the world tax would keep money flowing into these countries and the great international construction companies could build these projects while locals could sub-contract civil works and supplies.

He said that it was only fair and logical that businesses operating throughout the world pay taxes to the world, for the revenue gained by the tax paid to their governments goes towards enriching the life of the people in these already rich countries.

"But we are seeing foreign investors and businesses being totally exempted from taxes by developing countries anxious to attract FDIs," he said.

Dr Mahathir also cautioned against countries being only interested in economic prosperity accepting globalisation at whatever cost.

He said if countries believe that national self respect, integrity and independence were also important, "then we should look again at globalisation."

"We can still have globalisation but there should be some governmental and internal regulations. It is ridiculous to expect the market to regulate itself for only governments must regulate for they have the interest of the majority of the people at heart," he said.

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