

BACK ON TRACK

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PM: Foreign investors returning to create jobs

By FARIDAH BEGUM
and PAULINE C.S. NG

KUALA LUMPUR: Datuk Seri Dr Mahathir Mohamad said that Malaysia is back in business with the return of foreign investors bringing in capital to create industries and jobs.

The Prime Minister said the investors appreciate the government's consistent business rules, friendly business environment and the stable ringgit.

Speaking at the launch of the 1st Union Network International (UNI) - Asia Pacific Regional Organisation, at the Istana Hotel here, he said:

"They (foreign investors) have returned. They are assured of a friendly investment environment and are benefiting from our stable currency."

"They appreciate the clear and consistent rules for doing business and the availability of appropriate supporting infrastructure and institutions."

Dr Mahathir said many people had commented that the government was being too conservative in predicting a 3.5% growth when others, including experts, predicted over 6%.

"I think I'm entitled to be a little bit more optimistic," he said, attributing the forecast to rising business activities and the increase in the number of tourists coming to Malaysia.

Dr Mahathir said tourist arrivals had dropped to 500,000 from one million tourists after the Sept 11 tragedy but the numbers steadily rose to 700,000 the following month and 900,000 in the months that followed before registering 1.2mil arrivals in March.

He said that this positive phenomenon was due to Malaysia's ability to stop "the bleeding

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Tough to translate investments into jobs, says PM

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of the ringgit and in being able to stabilise the economy.”

“This we achieved by not doing the right thing but by doing things our own way instead,” he said, adding that even experts in finance agreed that Malaysia did the right thing.

Still, Dr Mahathir said many countries in Asia were currently facing a major challenge in trying to translate investments, both public and private, into meaningful and sustainable jobs for all.

“This means jobs which can sustain a higher standard of living for ordinary workers, not for several months of work but throughout the potential working lifetime of a worker.

“In a globalised and globalising economy, this is not going to be easy,” he said.

An economist said Malaysia would comfortably exceed its official gross domestic product (GDP) growth forecast of 3.5% this year.

Centennial Group head (economic research practice) Manu Bhaskaran thinks

growth will be closer to 4%, spurred by US demand for semiconductor products.

He said the underlying trends that determined demand for IT products were improving, noting that corporate cashflows and profitability were on the rise, while inventories had dropped to much lower levels.

Although consumer demand had declined, demand had been maintained at 2.5% to 3%, a level Manu said was sizeable for an economy of the US size.

“Demand is still intact and will spill over into capital expenditure which is important for export-dependent countries such as Malaysia and Singapore,” Manu said on

the sidelines of the 16th Asia-Pacific Roundtable.

While some pointed to the growing number of unemployed in the US as one reason to doubt the country's recovery, the Singapore-based economist noted unemployment traditionally lagged recovery as companies would work on capping costs to increase profitability and cash flows.

This would then enable spending on capital goods to be stepped up, said Manu.

“The key thing is that consumer demand is strong and maintained for income and capital growth,” he said.

But Manu warned the road ahead was not entirely clear.

Dark clouds in the form of higher global oil prices, the

possibility of war on the subcontinent, a further deterioration in the Middle East conflict, and the threat of a US invasion of Iraq, present “quite high risks.”

“These factors are bound to affect consumer and business confidence, which is why resilience is so important,” Manu said.

He declined to state whether the time was right for Malaysia to dismantle its fixed exchange rate regime, imposed in September 1998, but said:

“It's always better to change the peg when you are in a position of strength rather than when your fundamentals are weakening, as in Argentina's case.”