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Mahathir-Regulation

REGULATION OF FOREIGN INVESTMENT NECESSARY, SAYS DR MAHATHIR

By: Shakir Husain

ABU DHABI, May 5 (Bernama) -- An unregulated environment in which foreign investors are left without any fetters on their activities may not help economies of countries that receive foreign direct investment (FDI), former prime minister Tun Dr Mahathir Mohamad said.

FDI was touted as the most important contribution to economic growth, but it would work only if it was carefully managed, he said.

"Malaysia has benefited from foreign direct investment. But this is due to the country's control and regulation of foreign investments. Without these controls foreign investment may not be so beneficial to the country,"

Dr Mahathir told a regional conference in Abu Dhabi on Tuesday.

The conference discussed the issue of attracting foreign investment in non-oil sectors in the six countries of the Gulf Cooperation Council (GCC).

"A totally unfettered and unregulated FDI may help a country desirous of growing its economy. But it is important that host countries understand the dangers they may be exposed to," Dr Mahathir said.

Speaking about Malaysia's experience in attracting FDI, the former prime minister said the country was no longer "too dependent" on FDI.

"Because Malaysia has gained expertise in manufacturing, we are (no longer) not too dependent on FDI. We still want to attract them but our own investments have made up for the slowdown in the flow of FDI. This capacity of the locals is very important," he said.

"As more and more countries vie for FDI, the investors will become more demanding in their requirements. In the end, the benefit from FDI will become less and less," Dr Mahathir said.

He said lately Malaysia had to compete with China and its "very low labour cost" for FDI.

"We have no choice but to offer better terms. By studying the

advantages offered by China and those offered by us, we are able to highlight Malaysia's comparative advantages," he said.

Talking to reporters later, Dr Mahathir urged the GCC states to find ways to reduce their dependence on foreign workers as the Arab bloc moved to diversify its petroleum-based economy.

The focus in the economic diversification drive should be on high-tech and knowledge-based industries, he said.

-- BERNAMA

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