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AIA

ACCOUNTING BODY LAUDS GOVT EXCHANGE CONTROL ACTIONS

KUALA LUMPUR, Sept 22 (Bernama) -- The local branch of an international professional accounting body based in the United Kingdom, the Association of International Accountants (AIA), has lauded the recent corrective measures taken by the Malaysian government to control its currency and to pave the way for economic recovery.

The branch, known as Persatuan Alumni Akauntan Internasional (Cawangan Malaysia), said in a statement that currency control and the fixing of ringgit at a reasonable exchange rate of RM3.80 to the U.S dollar would stabilise the local unit against manipulation and speculation.

"The action in fixing the ringgit can isolate the direct impact of exchange rate on interest rate and hence give more room for lower interest rates to generate the long term economic activities," said the local chapter.

It also said that long term investors can also carry out their investment plans without worry of a wildly fluctuating exchange rate.

"The control measures taken on currency and capital will not in any way reduce the confidence of sincere foreign investors as they can still repatriate profits made from their investments," it pointed out.

As an immediate effect, the new policy will increase the liquidity of the capital and financial markets, which is most needed by the country to stimulate its economic activities.

It said the government's policy of lowering interest rate coupled with the action to control the flow of capital would change the general public's investment decision from fixed deposit to investment in the equity market.

"This in turn will stimulate the stock market to recover to a level equivalent to the fair value of the listed companies which is the immediate objective of the government as the local stock market had been badly depressed due to certain investors determined to prevent economic recovery."

The increase in consumers' purchasing power generated by the improvement in the equity market, better employment opportunities and reduction of non-performing loans are in line with the government's aim of achieving a sustainable economic growth towards 2020.

Although it is not in line with the economic recovery plans recommended by some international bodies such as the International Monetary Fund, the association said the measures should deserve full support from all Malaysians.

Such support is needed to ensure that the ringgit and stock market are protected from speculative attacks and that a lower interest rate would be necessary for a healthy business environment.

It also said these measures would also prevent Malaysian listed companies from being opened to takeovers by foreign companies at low prices as had happened in other countries.

"Our prime minister's (Datuk Seri Dr Mahathir Mohamad) policies have been attacked by certain financial analysts as impractical. However, the AIA Malaysian Chapter is of the opinion that these policies are not only well thought out strategies but are also effective tools for economic recovery." -- BERNAMA

ZMY SHY