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FUND MANAGERS
INVESTORS NOW UNDERSTAND CAPITAL CONTROLS BETTER

KUALA LUMPUR, Jan 25 (Bernama) -- Investors prefer a free market when it comes to investing but on the other hand, Malaysia's need for currency controls is now better understood and appreciated, said Cik Yeo Kar Peng, chief representative of Malaysia equities in Salomon Smith Barney Malaysia.

She told Bernama after a meeting between foreign fund managers and Prime Minister Datuk Seri Dr Mahathir Mohamad here today that investors would want to be able to bring money in and out with ease.

"However, they do understand the need for the controls and their significant applications, especially with the decline in the country's Gross Domestic Product (GDP) in the second-half of last year.

"People understand why we need to implement capital controls. The question now is whether we are going to remove or whether it is going to be refined," she added.

On the current investment climate, Yeo said it has been positive following recent developments.

Interest rates have gone down significantly, the stock market has seen prices appreciate while the improvement in the country's external account has boosted investors' confidence.

At the same time, the liquidity problems faced by corporates have eased and the next phase would see these corporates embarking on their debt restructuring.

She disclosed that fund managers from Europe and the United States felt that Malaysia's investment environment right now is positive.

The fund managers had received a lot of information on financial reforms during meetings with Pengurusan Danaharta Nasional Bhd, Danamodal Nasional Bhd and the Corporate Debt Restructuring Committee (CDRC).

At today's meeting, Yeo said Dr Mahathir reiterated the need for capital controls and he also highlighted the success achieved by Malaysia in the last two months, particularly with regard to the country's external account.

The prime minister said Malaysia should be able to finance its deficit budget in the first-half of 1999 with RM2.3 billion raised abroad and from domestic savings.

Yeo said fund managers were not facing problems with capital controls but they were keen to know if the ringgit peg would be reviewed.

She said the prime minister told the fund managers that Malaysia may consider reviewing the ringgit peg.

But then Dr Mahathir maintained that "it depends on the situation. If it becomes a problem for Malaysia, yes we will consider. But it is not something we would do in the immediate future."

Meanwhile, Gordy Holterman from US-based SF Sentry said Malaysia has seen the bottom of its problems and investors would be coming back eventually.

He said the discussions with Dr Mahathir Mohamad today revolved around the general investment climate in Malaysia.

Holterman, whose company is active in Asian emerging markets, was among 28 fund managers who attended the meeting, which included Prudential Investment Management, Loomis, AIG London, Black Rock Financial, TCW, Guinness Flight Hambro Asset Management, Columbus Advisors and Fineco. --

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