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NAVARATNAM-CONTROLS

REWARD LONG-TERM INVESTORS, PENALISE MANIPULATORS, SAYS NAVARATNAM

KUALA LUMPUR, Feb 4 (Bernama) -- The government could have considered rewarding genuine long-term investors and penalising short-term fly-by-night speculators when removing the one-year moratorium on portfolio funds, a corporate official said here today.

Tan Sri Ramon Navaratnam, corporate advisor to the Sungei Way Group of Companies, said the government could have been softer on genuine long term investors while penalising the latter when removing the ruling.

Besides this, he said the government could have gone a step further in introducing the graduated levy which could have been extended for over two years, which in the process would ensure that investors are long-term based.

This is because the authorities had said that Malaysia would be ready to remove its selective capital controls only after there have been some global financial reforms which would curb excessive speculative and manipulative elements, he said.

"Reforms that have been expected and called by Malaysia have not come in place as pointed out by Prime Minister Datuk Seri Dr Mahathir Mohamad," he said.

It was these elements "who were responsible for the grave disruption of the economy, they should be penalised," he told Bernama when commenting on the graduated export levy announced today, enabling the repatriation of portfolio funds.

Navaratnam said that from experience, the authorities could identify them by names and trading houses.

As for the graduated levy to be effective from Feb 15, he said it was timely while the levy on profits after September 1 this year would not discourage investors as opposed to a levy on capital brought in.

"If the measures have been introduced after full consultation with foreign fund managers, then they are fair and reasonable," he said.

Navaratnam said that foreign direct investors would also be put on a level playing field as portfolio investors with the latter having to pay an exit tax which is comparable to the corporate tax of 28 percent FDIs pay.

But here, he said the portfolio investors would have to pay much less as they would only be taxed on their profits while companies are taxed on their earnings.

However, "without taxes, investors can come and go out overnight, so with the levy on profits, they will keep their capital here longer to make more profits," he said.

"It's better to have long-term genuine portfolio investors rather than short-term players who can cause disruption and dislocation to the market as was the case during the currency crisis in 1997.

A levy encouraging genuine investors to keep their money here for the longer term would facilitate economic expansion and growth rather than manipulative short-term speculative elements, he said. -- BERNAMA

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