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MALAYSIA-MORGAN STANLEY

WATCH MAHATHIR'S ACTIONS ON M'SIAN ECONOMY, SAYS MORGAN STANLEY

By: Tham Choy Lin

SINGAPORE, Feb 14 (Bernama) -- Michael Dee, Morgan Stanley Dean Witter's new regional chief here, says international investors should watch what Malaysia's Prime Minister Datuk Seri Dr Mahathir Mohamad does for the country rather than his rhetoric.

Dee, who was appointed the new chief executive officer of the Singapore office for the global financial services firm last month, said international investors were often wary of the Malaysian leader's provocative and direct speaking manner.

Describing Malaysia as one of the most misunderstood countries by international investors, he said capital controls, introduced by Dr Mahathir during the Asian economic crisis of 1998, had worked for the country.

He also gave top marks to Bank Negara Malaysia under governor Datuk Dr Zeti Akhtar Aziz and the National Economic Action Council (NEAC), which was set up to haul Malaysia's economy out of the crisis.

"People don't really appreciate the level of professionalism at Bank Negara. The technocrats (in Malaysia) are really some of the best in Asia and very much exemplified by Dr Zeti," he said.

Dee also paid tribute to the people at NEAC, whom he described as professional.

"Frankly, people get put off by Dr Mahathir's comments, which my comment is, watch what he does, not what he says," Dee told Bernama.

He said the Mahathir-Soros debate at the World Bank in the recent past needed to be revisited because "when you go back and read what he (Dr Mahathir) was saying, in many ways he was right, he really was."

As for selective capital controls, he said, "Even though it may not be popular to say that, it works. And it puts another arrow in the quiver of central bankers around the world. It's a completely different policy response and they never took a dime from IMF (International Monetary Fund) money."

Mahathir and American financier George Soros had clashed during the 1997 joint IMF-World meeting in Hong Kong with the Malaysian leader condemning the role of currency speculators and calling for a curb on currency trading.

A year later, Dr Mahathir imposed selective capital controls and banned the offshore trading of the Malaysian ringgit. Malaysia's economy had since pulled out of the recession and the controls had been somewhat relaxed.

Just last month, BNM announced that the 10 percent exit tax on profits retained for more than 12 months had been abolished. This means that with effect from Feb 1, 2001, the 10 percent levy will apply only to profits made from portfolio investments that are repatriated 12 months or less from the month the profits are realised.

This was a major step towards further relaxing the levy system on portfolio capital introduced on Sept 1, 1998 to curtail speculative activity.

Asked if Malaysia had fallen off his firm's radar screen, especially with the current gloomy perception for Southeast Asia, Dee affirmed that Morgan Stanley Dean Witter was still very much involved.

He stressed that there were many world-class Malaysian corporations that it could assist, particularly in investment banking.

As an example, he said Malaysia never had a problem in raising

international capital through bonds because the country had never missed an interest payment or restricted any flow of US dollars payable to international investors.

However, the international flow of funds into Malaysia was still very limited because investors were nervous over currency controls and repatriation of funds, Dee explained.

"Investors are nervous that what goes in, comes out, and they want liquidity. That is the fundamental tenet and they like the idea of certainty.

"I'm not here to say Malaysia should or should not relax currency restrictions but when Malaysia feels that it is appropriate to do it -- it had said that they were not permanent -- that will certainly go a long way," he said.

In addition, Dee said it was important for Danaharta Nasional Bhd and Danamodal Nasional Bhd to continue their roles and dispose of assets that they had acquired and decide how they wanted to fit into the international system.

The two organisations were established by the government during the crisis with Danaharta taking over non-performing loans while Danamodal's responsibility was to help ailing banks.

"I think there is an awful lot of right with Malaysia and there is still a lot more to do but you have to have a well-defined plan as how to go about to get it and liquidity is, of course, very important," said Dee.

Dee joined Morgan Stanley Dean Witter 19 years ago and prior to his posting here, he was based in Hong Kong where he was responsible for the debt capital markets in Asia Pacific.

The Singapore office is the hub for the firm's activities in Southeast Asia. -- BERNAMA

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