

15 AUG 1997

DR MAHATHIR WANTS LOCAL INVESTORS TO DOMINATE LOCAL BOURSE

KUALA LUMPUR, Aug 15 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad tonight urged local investors to flex their muscles and dominate trading on the Kuala Lumpur Stock Exchange (KLSE).

"If we are to remain healthy, local investors must dominate the exchange," he said when opening the new KLSE building at Bukit Kewangan, here.

Unless they cushion the effect of foreign funds' investments, he said "we would continue to see a roller coaster of an index, which even though may be good for some but generally would not be good for the country."

"The government will continue to welcome foreign investors but local investors should also flex their muscles on the stock exchange," he added.

Dr Mahathir, who commended the KLSE for its remarkable growth especially in the seven years to emerge as the largest stock market in South East Asia and among the 15 top exchanges in the world, said a good stock market should be open but not too dependent on investments by foreign fund managers.

While their activities may boost prices, he noted that they could also quite deliberately cause a collapse of the market since they were interested mainly in capital gains.

"Even in their own country's stock exchanges they invest with this intention. The difference is that their profit taking in other countries result in a massive outflow of funds and a depression of the indices," he added.

Dr Mahathir said large local funds could also do the same but the funds generally remain in the country and has to be reinvested domestically.

Because of this, he said there was no net loss to the economy when local funds speculate in the local exchange.

"Unfortunately, the managers of local funds are not the movers on the stock exchange ... they are mere followers who respond to the indices rather than to influence them.

"We, of course, do not encourage local funds to influence the market but the fact remains the foreign funds do this," he added.

In pointing out the relationship between the stock market index and the economy, the Prime Minister said the indices no longer reflect the state of the economy of a country but that of the market.

He said this was because investment was less often made on the basis of economic fundamentals but more on the performance of the indices themselves.

"And as we all know the performance of the indices is now largely subject to the manipulation and strategies of the big investors. One may say that it is a case of the tail wagging dog," he added.

Dr Mahathir this was happening in the local financial and stock markets lately.

He said: "Some insist that there is no conspiracy. But whether there is a conspiracy or not, the fact is we are seeing what our critics have been predicting all long -- a decline in Malaysia's economic indices.

"That the indices have been due to their own manipulation does not bother them. They are happy because they have made their prophecy come true."

Reflecting on the recent "turbulence" experienced in the money and stock markets as a result of speculative attacks by international

manipulators and speculators, Dr Mahathir said the episode should not discourage further investment, particularly in export-oriented technology and capital intensive industries.

"We must look at the long term prospect and be willing to take calculated risks. While maintaining low inflation we must strive to more productive," he added.

Dr Mahathir said the government would continue to pursue sound and consistent policies to achieve sustainable growth, with income of the people improving and productivity maintained at high levels.

"It must always be remembered, however, that what is important is the purchasing power of the wages and profits earned and not the amount of money made," he added.

For this reason, he said, the government would strive towards zero inflation "which requires the involvement of everyone."

Dr Mahathir advised the private sector to reassess the situation and focus on the many potential opportunities available in the economy, adding that opportunities exist in all sectors particularly in the manufacturing, services and information technology sectors.

He said that while growing volume of outward investment by Malaysians in recent years has benefitted the country in several ways, Malaysian investors should not ignore the numerous opportunities at home.

He reminded that the ability to remain competitive was a critical factor in determining Malaysia in sustaining its favourable economic performance.

"Despite 10 years of strong growth, Malaysians cannot become complacent about future prospects. The recent developments may in fact be a blessing in disguise to remind us of the need to be agile and flexible in business and to adjust quickly as and when necessary in a very competitive global environment," he added.

The Prime Minister said that while the role of the private sector cannot be overemphasised, close partnership between the government and the private sector remained an important factor in the development of the country's economy.

He said the synergy between both parties will lead to the attainment of the nation's aspiration of becoming a developed nation by the year 2020.

At this juncture of Malaysia's development, Dr Mahathir said, everyone must be constantly alert to the changes taking place around them, be it locally, regionally or globally.

"As we move from the post industrial era, into the information age where national boundaries will not be able to protect us, we are going to be exposed to powerful predators from abroad who may not be too sympathetic to our well-being or national aspirations.

"We have therefore to pursue our economic agenda with even greater commitment and energy to ensure rapid and sustainable growth and to guarantee an economy that is fully competitive, robust, dynamic and resilient, fast on its feet and able to outperform our rivals.

"We have to believe in our goals and in our capacity to attain them. We cannot allow ourselves to be dictated to by external parties whose interests lie elsewhere," he added. -- BERNAMA

MFJ SHY