

05/09/1997

Everyone must join the war

THE Government could allow market forces to determine the course of the local bourse or do something within its capacity to help. Under normal circumstances, the Government would have continued to adopt its hands-off approach and leave the market to its own devices. After all, prices on the Kuala Lumpur Stock Exchange (KLSE) have tumbled before and then recovered.

But these are not normal circumstances prevailing at the KLSE. Market forces no longer rule; the forces at the KLSE and the foreign exchange market are in the hands of manipulative foreign parties whose primary aim is to reap as much profit from an open economy without any regard for the implications on the well-being of the economy or its people. For months now, these funds have preyed on unsuspecting governments in this region, wrecking their stock markets and plunging their currencies to record lows. Because these funds possess incredible financial clout - it is estimated that US foreign funds have a combined strength in excess of US\$1 trillion (US\$1 = RM3.03) - they could depress or raise prices of shares on stock markets of small countries without too much of an effort. This was what happened to the bourses and foreign exchange markets in Bangkok, Manila, Jakarta, Singapore and Kuala Lumpur. Of course, the KLSE's Composite Index does not measure the health of the economy. But if the manipulative activities of the foreign funds, who were abetted by some locals, could wipe out more than RM400 billion in terms of market capitalisation in just a couple of months, then investors on the stock exchange, both locals and foreigners, are bound to be hurt.

Based on the depreciation of their respective currencies, Thailand is today 50 per cent poorer, the Philippines 25 per cent, Indonesia 20 per cent and Malaysia 20 per cent. The per capita income of these countries, which have taken them years to improve, have been halved or quartered in a matter of just weeks. Consequently, the percentage of the population in these countries who live below the poverty level will increase, as per capita, Gross Domestic Product, poverty level and almost everything else are measured in US dollars. In the medium term, inflation will feel an upward pressure due to dearer imports. Businesses and industries that are dependent on imported components and value-added items will be rendered less competitive. End-products made in these countries, in turn, will be more expensive in global markets.

All these are a formula that could be destructive to any developing economy. The Malaysian Government decided that it could continue to remain hands-off but this will hurt investors and confidence in the KLSE. By disallowing short-selling of blue chip counters on the KLSE, directing local funds to buy up shares to prop up the market, and the Government itself setting up a RM60 billion fund to deal with the persistent selling by manipulative foreign funds, the Government is hoping to boost confidence and prices on the local bourse. A week after the first of these measures were taken, however, the sentiments on the KLSE have remained bearish. Local institutions have been supporting the market but the KLCI remained volatile. Investors and players still choose to give more credit to rumours than to economic fundamentals or to the fact that businesses, especially those in the 100-stock KLCI, have been doing extremely well.

For the Government's measures to work really well, the authorities need the help of players, stockbrokers and the banks. The call made by Prime Minister Datuk Seri Dr Mahathir Mohamad and his deputy Datuk Seri Anwar

Ibrahim, that the various local parties contribute to this economic war against the manipulators is not mere rhetorics. The efforts will be futile if, for example, banks continue to make margin calls when Dr Mahathir has said they should not. What the players themselves need to do is to exercise a little bit more patience than they are used to and give the various measures time to work. If they, with so much interest at stake, cannot do that, no amount of support from the Government will help.

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