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Flex your muscles, PM tells local funds (HL)

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LOCAL investors and fund managers should flex their muscles on the Kuala Lumpur Stock Exchange (KLSE) to ensure that the local bourse stays healthy.

Instead of being mere followers who respond to the trading trends they should be influencing them, and cushion the effects of foreign fund investments.

"Otherwise, we will continue to see a roller-coaster of an index," Prime Minister Datuk Seri Dr Mahathir Mohamad said last night.

Dr Mahathir said a good stock market should be open to but not dependent on investments by foreign fund managers. While their activities may boost prices, they can also quite deliberately cause a collapse of the market.

"This is because they are interested mainly in capital gains. Even in their own country's stock exchanges, they invest with this intention," he said when opening the KLSE's new building at Bukit Kewangan in Kuala Lumpur.

"Large local funds can also do the same but (the difference is) the funds generally remain in the country and reinvested domestically. There is no net loss to the economy when local funds speculate on the local exchange," he added.

The Prime Minister said while the bourse plays an important role in the nation's economy and has been a principal source of investment funding, the various market indices do not reflect the state of the economy.

"They (the indices) merely indicate the state of the market ... as we all know, the performance of the indices is now largely subject to the manipulation and strategies of the big investors," he said.

Dr Mahathir said looking at the various components of the KLSE - the listed companies, the financial intermediaries and the investors - it is easy to see how the local bourse has become the embodiment of the entrepreneurial spirit that the country have sought to cultivate to develop the economy.

"These components have contributed in no small measure to the economic prosperity that Malaysia has enjoyed especially over the past decade," he said. Already the largest stock market in South-East Asia, the KLSE nestles comfortably among the top 15 bourses in the world.

The Prime Minister said this is certainly no mean feat for a bourse that only 10 years ago was not even given due recognition as a stock market in its own right despite having been in existence since 1960.

However, in recent weeks the financial and stock markets have been rocked by the attacks of international manipulators and speculators.

Dr Mahathir said while the foreign analysts continue to insist there is no conspiracy, the fact remains "that we are seeing what our critics have been predicting all along ... a decline in Malaysia's economic indices. That the decline has been due to their own manipulation does not bother them. They are happy because they have made their prophecy come true."

However, despite the volatility on both markets, the economy remains fundamentally strong, thus reflecting its resilience, he said.

Data for the first few months of the year show that the economy remains on track with growth in the region of 8.2 per cent for the first quarter. An 8 per cent growth is expected for the whole of 1997.

Dr Mahathir said inflation is contained and the fiscal position of the Government remains strong and hopefully "we can still show a budget

surplus in 1997."

"The nation's savings rate remains high at 38 per cent of the gross national product (GNP) and our external debt is low at 30 per cent of the GNP," he added.

The Government will continue to pursue sound and consistent policies to achieve sustainable growth, Dr Mahathir said, but the private sector itself needs to re-assess the situation and focus on the many potential opportunities available in the economy.

In the wake of the current "turbulence" in the markets, Malaysians should not be discouraged from investing, particularly in export-oriented technology and capital intensive industries. "We must look at the long-term prospects and be willing to take calculated risks," he added.

Dr Mahathir also said despite 10 years of strong growth, Malaysians cannot become complacent. The recent developments may in fact be a blessing in disguise as they "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."

Local entrepreneurs need to accelerate efforts to move up to a higher level of technology, to be innovative in terms of new designs, to cut costs and increase efficiency to compete in the global market. They should not depend on exchange rates for their competitiveness.

"We need to be constantly alert to the changes taking place around us, locally, regionally and 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," he said.

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