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PM: Local investors must take the lead (HL)

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KUALA LUMPUR, Fri. - While expressing the Government's commitment to welcoming foreign investors, Datuk Seri Dr Mahathir Mohamad also exhorted local investors to "flex their muscles" on the stock exchange and stop being "mere followers".

The Prime Minister said local investors must dominate the exchange instead of their foreign counterparts "if we are to remain healthy".

Dr Mahathir said unfortunately, local fund managers were not the movers on the stock exchange, only responding to indices rather than influencing them.

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

The Prime Minister was speaking at the opening of the new Kuala Lumpur Stock Exchange building at Jalan Raja Chulan tonight.

Unless local investors were able to cushion the effect of foreign fund investments, Dr Mahathir said one would continue to see a rollercoaster of an index which would be good for some but generally damaging for the country.

Alluding to the happenings in the 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 along - a decline in the country's economic indices.

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

Dr Mahathir said indices no longer reflected the state of the economy but merely indicated the state of the market.

He contended that this was because investments were less often made on the basis of economic fundamentals but more on the performance of the indices themselves.

"As we all know, the performance of the indices is now largely subject to the manipulation and strategies of the big investors," he said. "One could say it is now a case of the tail wagging the dog".

Dr Mahathir said a good stock market should be open to, but not dependent on investments by foreign fund managers.

While their activities might boost prices, they could also quite deliberately cause a market collapse as they were interested mainly in capital gains, he said.

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

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

There would be no net loss to the economy when local funds are speculated in the local exchange, he said.

Commenting on the "turbulence" experienced by the money and stock markets as a result of speculative attacks by international manipulators and speculators Dr Mahathir said this should not however discourage investment, 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 said. "While maintaining low inflation, we must strive to be more productive".

The Prime Minister said despite the volatility in the foreign exchange markets and developments in the capital market, the economy remained fundamentally strong, reflecting its resilience.

Developments in the first few months of the year showed that economic growth remained on track in the region of 8.2 per cent for the first quarter, with expectations of eight per cent for the year.

Dr Mahathir said while inflation was contained, the fiscal position of the Government remained strong, adding that it was hoped the 1997 Budget would still be a surplus one.

"The nation's savings also continue to remain high at 38 per cent of GNP and external debt remains low at 30 per cent of GNP."

Reiterating the Government's stand on pursuing sound and consistent policies to achieve sustainable growth, Dr Mahathir reminded the private sector to reassess the situation and focus on the many potential opportunities available, particularly in the manufacturing, services and information technology sectors.

Touching on the privatisation programme, he said it would continue to create opportunities in areas once monopolised by the Government.

On external investment by Malaysians, he said in recent years it had benefited the country by creating markets for the export of goods and services as well as stimulating strategic alliances between domestic and foreign companies.

Nevertheless, he reminded local investors not to ignore the numerous opportunities at home.

Dr Mahathir said a critical factor that would enable the country to sustain its favourable economic performance was the ability to remain competitive.

He said recent developments might be a blessing in disguise to remind everyone of the need to be agile and flexible in business and to adjust quickly as and when necessary in a 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 so as to become competitive in the global market," he said.

Later, Dr Mahathir launched the KLSE-RIIAM Information System, which will provide comprehensive, up-to-date stock market information on the Internet.

The Prime Minister also handed over donations of RM5.25 million from the KLSE to seven organisations including the National Heart Foundation, Tun Hussein Onn Eye Hospital, Yayasan Salam and National Kidney Foundation.

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