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Mahathir-Fund

RM60 BLN IS STANDBY FUND, SAYS PRIME MINISTER

KUALA LUMPUR, Sept 5 (Bernama) -- The government will not utilise the RM60 billion rescue fund to prop up the stock market if the performance of the Kuala Lumpur Stock Exchange (KLSE) improves, Datuk Seri Dr Mahathir Mohamad said today.

"The money is a standby fund," the Prime Minister said. "If it (the market) improves without spending the RM60 billion fund...well good, we do not have to use it."

However, the strong rebound on the KLSE today "has nothing to do with" the fund, he told a news conference at the end of the first day of the Umno General Assembly here.

Bargain-hunting activities by local funds and retail players pushed the benchmark KLSE Composite Index 90.47 points or 12.37 percent higher to 821.59 today, in heavy volume.

Proceeds for the fund will come from Khazanah Nasional Bhd, pension funds, Permodalan Nasional Bhd and the Employees Provident Fund.

On the meeting between the economic adviser to the government, Tun Daim Zainuddin, and 12 foreign fund managers today, Dr Mahathir said "discussions had taken place and the effect may have been seen (on the market today)."

To a question, Dr Mahathir said the lifting of the designated status on 100 Composite Index components did not mean that the government would relax its ruling on the RM2 million currency swap introduced earlier.

"There is no necessity as yet. I do not see why we should remove...", he said.

Bank Negara, in a move to curb speculation and to encourage productive trade-related transactions, had directed banks to observe a US\$2 million limit on outstanding non-commercial related ringgit offer-side swap transactions with each foreign customer effective Aug 4.

Swap transactions are agreements to buy or sell a currency at a later date while a swap rate is the price at which individuals are willing to exchange currencies.

Asked how long the restriction would be enforced, Dr Mahathir said: "I do not know yet. We have to see how the ringgit performs."

Yesterday, the Prime Minister announced that the recent measures introduced to curb short selling and manipulation in the stock market had been successful.

The restrictions were removed today. However, regulated short selling and securities borrowing and lending activities are still prohibited until further notice, the KLSE announced today.

Short selling is the selling of shares which one does not own with the hope of buying them at a cheaper price later.

On claims that the International Monetary Fund (IMF) had been slow in coming up with Thailand's economic rescue package, he said, "well they responded but I am afraid it is going to be a very heavy burden on Thailand."

This is because the Thai baht has depreciated by 30 per cent which means the US\$16 billion borrowed would have to be repaid 30 per cent more and "will take a very... very long time."

Furthermore, Thailand would have to bear additional interest on the borrowings following the depreciation of the baht, Dr Mahathir said.

"I am so sorry, this is not very helpful as Thailand does not deserve

to be treated this way," he said.

"As you know finance companies have to be closed down and all things have been happening to Thailand, including loss of jobs. Is that very helpful?" he asked. -- BERNAMA

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