

02 SEP 1999

Mahathir-KLSE

DR MAHATHIR EXPECTS KLSE TO RESTART UPWARD MARCH

KUALA LUMPUR, Sept 2 (Bernama) -- The Kuala Lumpur Stock Exchange (KLSE) is poised to begin its upward march once again, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said he based his optimism on the much-touted and anticipated massive capital outflow which did not become a reality.

"One year ago, the market capitalisation of the KLSE was under RM300 billion, but today, the market capitalisation stands at more than RM500 billion.

"More than RM250 billion has been created. The wealth effect has found its way through the economy," he said at a symposium on the first anniversary of capital controls here.

Turning to the ringgit, he said that the local currency has remained rock solid.

"In fact, if there are +fears,+ the fear and widespread expectations are that the ringgit would strengthen.

"It is clear that disaster has not struck, that Malaysia was not +kaput,+ (not finished)," Dr Mahathir said.

"I'm sorry to disappoint our critics (but) we were and we are and we do not expect to be short of foreign exchange or liquidity," he said.

With the third highest savings rate in excess of 40 per cent of gross domestic product, he said, Malaysia was in no way dependent on straight foreign capital although "we of course love foreign direct investment".

Dr Mahathir said that on the ground, "we know that we have made a massive recovery."

He said that technically the recession was defined as two consecutive quarters of negative growth.

"We can now say that the great Malaysian economic recession of 1998 has come to an end.

"We now receive the nicest praises sometimes from the most unlikely places," he said.

He cited Morgan Stanley Dean Witter's Asian Debt Capital Market managing director Michael Dee's remarks that the measures taken by Malaysia have reduced the country's vulnerability to external shocks.

Dr Mahathir said that Dee also commented that Malaysia should be proud of its achievements as it did not use IMF's recovery measures but stayed away from it.

Besides this, Morgan Stanley's vice-president and senior sovereign credit analyst, Ann Ginsberg had said that the controls have been used properly.

"It has made the country more competitive with a healthy balance of payments," the prime minister said.

A senior adviser in the IMF's Asia Pacific department, Margaret Kelley, also commented that Malaysia wisely used the breathing space provided by the controls.

Dr Mahathir added that Kelley's number one boss, Michel Camdessus, had said, "I praise the way in which Malaysia has been able to adopt a soft system of controls."

-- BERNAMA

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