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Nothing extraordinary happened on stock market: PM

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NOTHING extraordinary happened on the stock market yesterday, says Prime Minister Datuk Seri Dr Mahathir Mohamad, and the 14-point fall in the Kuala Lumpur Stock Exchange's Composite Index (KLCI) was expected.

"The drop is not very much...we have sufficient funds. Since last September, there has been a 60 per cent increase in our reserves.

"Unlike other countries, we have always maintained our reserves at above US\$20 billion...now it is US\$32 billion, and that is sufficient to retain seven months of imports," he said, noting that the country needed only to maintain reserves to finance about three or four months of imports.

Asked how much the Government expects the outflow to be when approached after he had officiated at the International Construction Week in Kuala Lumpur yesterday, Dr Mahathir said the estimate is US\$3-US\$4 billion (US\$1 = RM3.80) at the most.

Yesterday was the first anniversary of the country's selective capital controls and the expiry of the moratorium on repatriation of portfolio funds which entered the country on September 1 1998 or earlier.

"As at 12.00pm, the market was down four points and I believe by the evening about 14 points. That is nothing compared with 200 or 800 points previously.

The KLCI ended the day 14.15 points lower at 752.91.

"If people want to take out their money, we have promised them they could... but in the morning, there was greater inflow than outflow.

"However, there will be some people...one particular investor has been dumping all his shares even before this ... that is his choice."

On the converse, there are investments which are unlikely to be withdrawn, Dr Mahathir said.

"For example, if they have money in Rothmans, or any other company which has been listed for a long time and have operations in Malaysia, I do not think they will dump their investments," he said.

Dr Mahathir also said the world is coming round to recognising that unless there is financial reform, the global economy will remain volatile and uncertain.

"Unless the system is changed, the world is going to suffer ... not only Malaysia."

Asked if there are plans to revise the capital exit levy system, the Prime Minister said: "We have done enough."

"They come to our country, they invest and obviously they make money ... capital gains were not taxed at all ... and they take out everything.

"We should ask ourselves, what do we get? They bring in money, they buy our shares and they make a profit, which they are entitled to of course ... but then our shares appreciate and they dump them.

"Our economy goes down but they take the capital gains without paying a single cent of tax," he said.

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