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Action to resolve States' trust fund crisis does not include bailouts,

KUALA LUMPUR, Mon. - The Government is taking action to resolve the crisis in almost all State trust funds (amanah saham negeri) to minimise losses to investors.

Prime Minister Datuk Seri Dr Mahathir Mohamad said, however, the Federal Government will not bail them out due to the high costs involved.

"We found that the trust funds did not succeed and we are taking action," he said when asked to comment on a report that the Government will set up a mechanism to save State trust funds.

The State trust funds, which attracted about 531,480 investors, mostly from the low-income group, have performed poorly since the 1997-1998 financial crisis.

Among them are Amanah Saham Selangor Bhd, Amanah Saham Sabah Bhd, Amanah Saham Johor, Dana Johor, Amanah Saham Kedah Bhd and Amanah Saham Darul Imam.

Speaking after opening the National Institute of Public Administration Management Technology Centre here, the Prime Minister said the trust funds were started when the market was bullish and people thought it would never come down.

"Markets fluctuate. People did not think of financial crises."

Dr Mahathir said when losses occur, investors must be prepared to accept them.

"There are some who think that when losses occur, they must still profit ...people who think that even if companies incur losses, they must get money because they invested."

Dr Mahathir said the Kuala Lumpur Stock Exchange Composite Index went down from 1,000 points to 262 points during the 1997-1998 financial crisis, and this had affected companies.

On incorporating the State trust funds as a means of resolving the crisis, Dr Mahathir said it must be studied in depth.

Asked about the persistent talk of war in the region, Dr Mahathir said: "It is the Press which keeps asking us. So we have to respond. I said whoever dares to try would get a bloody nose. I never said war."

On claims that Singapore's armed forces would triumph should war with Malaysia erupt, Dr Mahathir said: "Well, we'll see. The proof of the pudding is in the eating, as they say."

He said it was the ground forces that counted. "Either you want to bomb the whole place up or you have to fight on the ground."

"Germany conquered France but in the end it had to give up. Japan conquered Malaya and it had to give up. Why take another people's country?"

Dr Mahathir earlier held a video-conference with Kawakami Takas, president of Japan International Co-operation Agency.

The Prime Minister thanked the agency for its assistance in development programmes.