

SPEECH BY: Dato Seri Dr. **Mahathir** Bin Mohamad
Perdana Menteri

EVENT: Di Majlis Perasmian Bangunan Bursa Saham Kuala Lumpur

VENUE: Bukit Kewangan, Kuala Lumpur

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Saya ucapkan terima kasih kepada Bursa Saham Kuala Lumpur (BSKL) kerana menjemput saya untuk merasmikan bangunan barunya pada malam ini. Upacara yang bersejarah ini bukan sahaja amat bermakna bagi BSKL, bahkan juga kepada negara. Ini ialah kerana bangunan baru ini mencerminkan taraf pencapaian BSKL sehingga kini.

2. I would like to say how privileged and proud I am to be here tonight with all of you to celebrate this historic occasion, the move by the Kuala Lumpur Stock Exchange, a national institution, into its very own building. While we can appreciate that this occasion must surely rank as the most significant in the KLSE's history, it is also a moment for rejoicing for the entire nation. This move is a reflection of the progress and stature the local bourse has achieved over the years.

3. Already the largest stock market in South East Asia, the KLSE nestles comfortably within the top 15 exchanges in the world. This is certainly no mean feat for a bourse that only 10 years ago was not even given due recognition as a stock market in its own right despite having been in existence since 1960. The growth of the KLSE has been remarkable, especially in the last seven years. This growth is reflected in the number of companies listed, the market capitalisation, trade volume and, more importantly, the tremendous infrastructure developments which have kept the Exchange on par with other international stock Exchanges.

4. Today, the stock market plays an important role in the nation's economy. As a key component of the Malaysian capital market, the Exchange has been a principal source of investment funding and avenue for investment in the country. Looking at the various components of KLSE - the listed companies, the financial intermediaries and of course, the investors - one will not fail to see how KLSE has become the embodiment of the entrepreneurial spirit that we have sought to cultivate to develop our nation's economy. These components have contributed in no small measure to the economic prosperity that Malaysia has enjoyed especially over the past decade.

5. Only two decades ago, we were an agricultural and mining based economy. Today, as a result of the decision to industrialise, particularly to manufacture, industry now accounts for close to 14 percent of the national GDP while manufactured products account for around 80 percent of total exports.

6. Notwithstanding the recent volatility in the foreign exchange markets and developments in the capital market, the economy remains fundamentally

strong, reflecting the resilience of the economy. Developments in the first few months of the year show that economic growth remains on track with growth being in the region of 8.2 percent for the first quarter and expectations of eight percent growth for the year as a whole. Inflation is contained and the fiscal position of the government remains strong and hopefully we can still show a budget surplus in 1997. The nation's savings also continue to remain high at 38 percent of GNP and our external debt remains low at 30 percent of GNP.

7. These favourable economic performance are supported by a sound financial sector with the banking system remaining strong. Despite Malaysia's strong economic and financial conditions, there has been 'turbulence' experienced recently in the money and stockmarkets as a result of speculative attacks by international manipulators and speculators. This should not, however, discourage us from continuing to invest and to encourage investment particularly in export-oriented technology and capital intensive industries. We must look at the long term prospect and be willing to take calculated risks. While maintaining low inflation we must strive to be more productive.

8. Here I would like to point out that the relationship between the stock market index and the economy of a country has changed somewhat. The indices no longer reflect the state of the economy. They merely indicate the state of the market. This is because investments are less often made on the basis of economic fundamentals but more on the performance of the indices themselves. And as we all know the performance of the indices is now largely subject to the manipulation and strategies of the big investors. One may say that it is a case of the tail wagging the dog.

9. A good stock market should be open to but not dependent upon investments by foreign fund managers. While their activities may boost prices, they can also quite deliberately cause a collapse of the market. This is because they are interested mainly in capital gains. Even in their own country's stock exchanges they invest with this intention. The difference is that their profit taking in other countries results in a massive outflow of funds and a depression of the indices.

10. Large local funds can also do the same but the funds generally remain in the country and has to be reinvested domestically. There is therefore no nett loss to the economy when local funds speculate in the local exchange. Unfortunately, the managers of local funds are not the movers on the stock exchange. They are mere followers who respond to the indices rather than influence them. We of course do not encourage local funds to influence the market. But the fact remains the foreign funds do this.

11. The Government will continue to welcome foreign investors but local investors should also flex their muscles on the stock exchange. If we are to remain healthy, local investors must dominate the exchange. Unless they cushion the effect of foreign funds investments, we will continue to see a roller coaster of an index. This of course will be good for some but generally will not be good for the country.

12. We are seeing all these happening to our financial and stock markets lately. 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 Malaysia's economic indices. That the indices have been due to their own manipulation does not bother them. They are happy because they have made their prophecy come true.

13. On the part of the government, sound and consistent policies will continue to be pursued to achieve sustainable growth. The income of our people at all levels must be improved while maintaining productivity at high levels. It must always be remembered, however, that what is important is the purchasing power of the wages and profits earned and not the amount of money made. For this reason the Government will strive towards zero inflation. Everyone should and can do their bit for this.

14. The private sector on its part needs to reassess the situation and focus on the many potential opportunities available in the economy. Investment opportunities exist in all sectors, particularly in the manufacturing, services and I.T. sectors. The economy has now entered into a challenging phase where industrialisation will be more capital-intensive, will involve high technology and will be knowledge-based. This has also opened up vast investment opportunities in related infrastructure, services and I.T. areas.

15. The Multimedia Super Corridor has in fact stimulated the interest of foreign investors around the world. In addition, the privatisation programme will continue to create numerous opportunities in areas once monopolised by the Government. The growing volume of outward investment by Malaysians in recent years benefits the nation in several ways such as creating markets for our exports of goods and services as well as stimulating strategic alliances between domestic and foreign firms. Nevertheless, Malaysian investors should not ignore the numerous opportunities at home.

16. A critical factor that will enable Malaysia to sustain its favourable economic performance is the ability to remain competitive. Despite the almost 10 years of strong growth, Malaysians cannot become complacent about future prospects. The recent developments may in fact be a blessing in disguise to remind us of the need to be agile and flexible in business and to adjust quickly as and when necessary in a very 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. Firms should not depend on the exchange rates to increase their competitiveness. On its part, the government will continue to be supportive of the private sector's efforts to enhance productivity through, among other things, human resource development.

17. While the important role of the private sector cannot be overemphasised, close partnership between the Government and the private sectors remains an important factor in the development of the country's economy. The synergy between the two parties will lead to the attainment of the nation's aspiration of becoming a developed nation by the year 2020. Such cooperation, apart from helping to develop the nation, will actually benefit the private and public sectors. Government revenue which is used to pay the wages and salaries and other perks to Government employees are

dependent partly at least on the taxes collected from the business sector.

18. At this crucial juncture in the development of the nation, we need to be constantly alert to the changes taking place around us -- locally, regionally and globally. As we move from the post industrial era, into the information age where national boundaries will not be able to protect us, we are going to be exposed to powerful predators from abroad who may not be too sympathetic to our well-being or national aspirations.

19. We have therefore to pursue our economic agenda with even greater commitment and energy to ensure rapid and sustainable growth and to guarantee an economy that is fully competitive, robust, dynamic and resilient, fast on its feet and able to outperform our rivals. We have to believe in our goals and in our capacity to attain them. We cannot allow ourselves to be dictated to by external parties whose interests lie elsewhere.

20. I am also pleased to note that the KLSE has committed itself to contributing towards the well-being of the community at large alongside its commitment towards becoming a world class stock exchange. Tonight the KLSE group of companies will contribute a total sum of RM5.25 million to several organisations in need. This perpetuates a trend for which I would like to commend the Exchange wholeheartedly. I also note with pleasure that the KLSE has taken a very positive initiative to set up a chair in securities and finance at Universiti Utara Malaysia.

21. Another contribution to the community from the KLSE is a service which is to be launched this evening - the KLSE-RRIAM Information System or KLSE-RIS. As I understand it, this system will provide comprehensive, up-to-date stock market information on the internet and will be available free of charge to anyone with internet access. This also bodes well for the nation's move into the information age.

22. I would also like take this opportunity to welcome delegates from the East Asian and Oceanian Stock Exchanges Federation to their 16th Annual General Assembly which I understand will be held tomorrow in this building.

23. Finally, I would like to congratulate the Kuala Lumpur Stock Exchange for moving to these new premises. The graceful and classical design of Exchange Square is certainly most befitting the KLSE's stature today. We hope the Exchange will continue to move forward and chart an even more successful course in the new millennium, thus contributing to the continued economic growth of Malaysia.

24. Dengan ini, saya dengan sukacitanya merasmikan Bangunan Baru Bursa Saham Kuala Lumpur dan The Exchange Square.

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