

Acquire latest skills; local banks told

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KUALA LUMPUR, Mon. — The international offshore financial centre (IOFC) of Labuan will serve as Malaysia's "window" to foreign capital to help finance the country's industrialisation programme, Prime Minister Datuk Seri Dr Mahathir Mohamad said tonight.

He also hoped that Malaysia and neighbouring countries would not have to look further than Labuan for their offshore financial needs.

In order to do this, he suggested that local banks with branches there strive to become "financial supermarkets".

He said that besides attracting foreign capital, the Labuan IOFC would also bring new ideas and expertise in bank management to add to the maturity of the financial sector.

"When foreign international banks set foot in Labuan, local banks will be able to pit their expertise against the leading banks of the world.

"This will be a test of the giants and only the best banks will succeed in Labuan.

"Therefore, local banks should make efforts to acquire the expertise and efficiency necessary to maintain their operational positions in Labuan."

He said the IOFC was part of the Government's strategy to develop and expand the nation's financial services in support of the Vision 2020 objective to make Malaysia a developed country.

Dr Mahathir was speaking at a dinner to celebrate the 25th anniversary of Public Bank Bhd at Shangri-La Hotel here.

Calling on local banks to be universal in their attitude and thinking, he said they should offer "products" which encompassed various services demanded by clients in a fast-changing scenario.

He said he was glad to note that Public Bank had taken such a step with the establishment of an offshore subsidiary in Labuan.

He welcomed Public Bank's move to operate in Sri Lanka, saying that it was in line with the Government's policies on South-South and regional co-operation.

He noted that the bank might also co-operate with a bank in Vietnam where there were many investment opportunities.

He said these plans would help foster better socio-economic and trade ties with the two countries.

On the banking system in

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PM: All should help keep inflation rate down

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general, Dr Mahathir said it had performed satisfactorily in the past three decades in mobilising domestic savings for productive investments to improve national product and income.

He said Malaysia's annual inflation rate of three per cent was low compared with countries that had an annual inflation of rate of 20,000 per cent.

Such a high inflation rate was the result of Governments that wanted to be popular with the people, especially with the poor who formed the majority of the population.

"In its desire to be popular, when prices of goods go up, the Government will agree to a pay increase purportedly to enable workers to buy as much as before.

"Some countries peg wage increases to the prices of goods. If prices go up by 10 per cent, wages will also increase by the same percentage.

"When wages go up, so will production, transportation and marketing costs. Prices of goods will then increase again.

"Wages will then have to be raised further. This cycle goes on with each round having higher prices and wages to the extent that prices go up from morning to the afternoon.

Dr Mahathir said he reiterated this matter tonight because even though everybody knew how high inflation rate came about, there were still some who would do something which they knew would bring ill effects.

"I hope Malaysians are not like this.

"I hope Malaysians will not blindly ask for wage increases. Actual wage increase is only when it does not lead to a price increase. And this can only be done if productivity increases faster than wages."