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Summit-Rafidah

M'SIA TO OPEN UP FINANCIAL SERVICES SECTOR BASED ON CAPACITY

KUALA LUMPUR, Dec 14 (Bernama) -- Malaysia will open up its financial services sector based on its capacity to do so, and its offers are realistic and based on objective criteria, International Trade and Industry Minister Datuk Seri Rafidah Aziz said today.

"Malaysia has always been making the same offer and this time the 51 per cent foreign ownership ceiling in local insurance companies is an improved one, from the previous 49 per cent," she said.

She was speaking to reporters after bilateral talks between Prime Minister Datuk Seri Dr Mahathir Mohamad and Myanmar's State Peace and Development Council chairman Than Shwe and a courtesy call by Indonesian Foreign Minister Ali Alatas on Dr Mahathir.

Previous reports have stated that the United States would seek improvements in some countries' offers under the World Trade Organisation financial services agreement.

It was also reported that countries like Malaysia that forced divestiture of existing rights in the insurance sector would be "carved out" from U.S. obligations under the pact.

Following the proposed 51 per cent ceiling on foreign ownership, it was indicated that US insurer American International Group would have to divest some its 100 per cent-owned Malaysian subsidiary, American International Assurance (AIA).

However, Rafidah said the offer made by Malaysia on the insurance sector ownership ceiling had been accepted by member countries of the WTO.

She reiterated that the financial services sector would be opened based on Malaysia's capacity which is underscored by actual prevailing situations.

She said that firstly, there was already a very high foreign presence in the local insurance and banking sectors and secondly, a very high proportion of businesses in both sectors was undertaken by foreign companies.

She said that almost three quarters of the life insurance business in Malaysia was being undertaken by foreign companies while the bulk of general insurance business, which is not very profitable, was undertaken by Malaysian companies.

As such, the insurance sector saw foreign companies already accounting for the bulk of life insurance and in banking, deposits and loans.

The WTO, Rafidah said, worked on the principle of progressive liberalisation and that was what Malaysia was doing now, by opening up its sectors in stages.

She said the US itself had come out with some counter proposals. "They too had some clauses and conditions to be considered...such as having no new entrance of insurance companies and no new branching of banks.

She said developing countries had always maintained that it was so much easier for the large economies to open up their market to developing economies because the capacity of the developing countries' entities like banks and insurance companies to go into these big economies was limited and their entrance would not make much difference.

However, the entrance of one big entity from a developed country, such as the US, Europe or Japan, into a small economy would make a big impact, she added. -- BERNAMA

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