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Arbitrate for solution (HL)

Ashraf Abdullah; Ramlan Said; Azrani Rustam
KUALA LUMPUR, Sat. - Banks which face a deadlock in their merger negotiations were advised by Prime Minister Datuk Seri Dr Mahathir Mohamad to seek arbitration.

He said while local banks risked the danger of being taken over by foreigners if they did not merge, the Government was not forcing them to do so. Dr Mahathir said this when asked to comment on reports today that there appeared to be a breakdown in the merger talks involving Bank of Commerce Bhd and RHB Bank Bhd.

The Prime Minister said because of the ringgit's depreciation, foreigners now held an advantage as they could buy shares of local banks at a cheaper price.

"Today, the shares of banks have fallen and people can buy ... some banks are effectively foreign-owned.

"When the share prices fall say by 50 per cent and the currency falls by 50 per cent as well, for foreigners these shares are cheap to buy."

Although prices had dropped, Dr Mahathir felt Malaysians could not compete with foreigners in acquiring the stocks as the ringgit had also depreciated.

Commerce-Asset Holding Bhd, which owns 97.91 per cent of BoC, informed the Kuala Lumpur Stock Exchange on Friday that negotiations with Rashid Hussain had ceased.

However, hours later, Rashid Hussain issued a statement to the Press, claiming that there was a deal with Commerce Asset.

It said the negotiations were in good faith and were well under way following discussions on a number of proposals submitted by both parties.

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim reacting to the development late yesterday evening said it would not impede the March 31 deadline set by Bank Negara for financial institutions to merge.

Anwar said the banks would have to continue negotiations and the Government would not compromise on this.

Dr Mahathir, when asked what advice he had for banks which face a deadlock in their merger negotiations, said:

"Be reasonable ... if you cannot make an assessment because of a dispute over the value of the banks, perhaps we can have arbitration."

Later, speaking at a joint Kongsi Raya gathering organised by several youth organisations, Dr Mahathir said efforts by Malaysians of all races to remain united, disciplined and to struggle for the nation's well-being, meant more to him than titles and awards.

The Prime Minister said he was honoured by such gesture and show of support because while in other countries, economic problems resulted in riots and political instability, Malaysians remained solidly behind him and the Government.

"When there is such unity, self-discipline and co-operation, efforts by the unscrupulous to destroy us will be futile," Dr Mahathir said at the gathering organised jointly by the Malaysian Youth Council, Young Malaysians Movement, Malaysian Muslim Youth Movement and the Young Entrepreneurs Association of Malaysia.

Earlier, MYC president Datuk Suhaimi Ibrahim said the council recognised Dr Mahathir as the Father of Modern Technology as he had mooted innovative projects including the Multimedia Super Corridor.

"I thank Suhaimi for the new title but what is even more important than titles and recognition is the fact that we remain united and co-operate with one another irrespective of race and religion.

"Then, whatever we are struggling for will bear results. This will make me proud because at the least, there had been no racial tensions during my term of office as Prime Minister," he said to the applause of some 2,000 members of the youth organisations.

Dr Mahathir said in other countries, the people resorted to irresponsible actions like riots and looting when they faced problems.

"As a result, the situation worsened and threatened national unity and public security.

"Instead of adopting an arrogant attitude for being more united than they are, we should sympathise with them and try to understand their problems," he said.

Dr Mahathir said the problems in these countries were not self-inflicted, but a result of their currency depreciation, caused by those who were overcome by greed and out to make quick profits.

"The riots were caused by the unscrupulous. Now their banks and companies are bankrupt, the people lost their jobs and became poorer," he said.

In Malaysia, the Prime Minister said, the situation was under control, mainly because the people chose to remain united.

A forum on the role of youths to revive the national economy was held after the gathering.

It was attended by businessmen, academicians and representatives from non-governmental organisations.

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