

06 AUG 1999
MAHATHIR-BANKS
PM DEFENDS MERGER OF LOCAL BANKS

SIBU, Aug 6 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today defended the proposed merger of local banks, saying it is necessary in order for them to compete successfully with foreign banks.

Speaking at a press conference at the airport before returning to Kuala Lumpur after a two-day visit to Sarawak, he said eventually foreign banks would come in to compete with local ones.

He said even those foreign banks already in the country were now expanding.

Dr Mahathir said that it was noticed during the economic turmoil that Malaysians preferred foreign banks to local banks and they were able to attract all the funds to themselves.

"Local banks are not fully trusted by the locals. Unless they strengthen themselves and give a better quality of service, the people will not want to use local banks," he said.

Bank Negara has set Sept 30 as the deadline for local financial institutions to sign a memorandum of understanding for the merger exercise.

The exercise will eventually lead to the creation of only six anchor commercial banks, six anchor merchant banks and six anchor finance companies.

At present there are 21 local commercial banks, 25 finance companies and 12 merchant banks.

Dr Mahathir also said banks must learn to respond to a given situation.

"We notice some of them are sometimes too liberal in lending. Then people are in bad shape, that is the time that they do not lend. That is why too we need bigger and stronger banks," he said.

When asked whether the merger would mean massive retrenchment for the workers, Dr Mahathir said he hoped that this would not happen.

"They have a lot of things they can do. I am quite sure they can find new jobs for themselves because as bankers they are intelligent people," he said.

On whether he would call for the general election now that he had more or less completed his visits nation-wide, he said he had "still a long way to go."

"I am going to China, Siberia and then to "makan angin" (holiday). Then I have to come back again to see more people," he said.

The prime minister will make official visits to Siberia and China from Aug 15-23.

Dr Mahathir said the nation had been in election mood for the past two years because opposition parties had stepped up their activities.

"They had put up their flags and had been campaigning since two years ago. They are very hard working people and I must congratulate them. But I see that their flags are rotting," he said.

And responding to a question on why he had been talking about peace, stability, unity and racial harmony in most of his speeches while on the nation-wide visits, Dr Mahathir said this was to indicate that the ruling Barisan Nasional (BN) was a "very positive" party.

"We want peace, harmony and we want people to work together to develop this country. We are all for the cooperation of everybody for the country to develop. We do not want to collaborate with outsiders to destroy it," he said.

He said the BN had not even said dirty things about the opposition

which had been taking a very negative approach.

On his visit to Sarawak, he said it was a very encouraging one as the people had been very enthusiastic and supportive.

Dr Mahathir said he was overwhelmed by what he saw in Miri last night where a crowd of about 40,000 people stood rooted to their places until he finished speaking.

About 3,000 people comprising members of the state BN component parties, voluntary organisations and civil servants were at the Sibu Airport to send off the prime minister.

He was accompanied by wife Datin Seri Dr Siti Hasmah Mohamed Ali and Information Minister Tan Sri Khalil Yaakob. -- BERNAMA

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