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Mahathir-Banks

STILL HARD FOR LOCAL BANKS TO COMPETE AFTER MERGER, SAYS DR M

SEPANG, Feb 1 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today Malaysian banks, after merging into bigger ones, will still find it not easy to compete with foreign banks.

This, he said, was because although local banks were merging to strengthen their position in the face of competition, their bigger foreign counterparts were also doing the same.

This would result in foreign banks becoming bigger and bigger and it would be hard for local banks to compete with them, said Dr Mahathir.

"I have my doubts because foreign banks are also merging," he told a press conference at the KL International Airport on arrival from a three-week vacation and working trip abroad.

He was asked to comment on the ongoing merger exercise and whether local banks would be in a better position to face competitions from foreign banks following the mergers.

Bank Negara governor Tan Sri Ali Abul Hassan Sulaiman announced yesterday that all banking institutions had met the Jan 31 deadline for them to come up with firm merger proposals with their partners.

He said the central bank received 10 merger proposals and had started assessing the applications.

Dr Mahathir said some of the people in the financial sector that he met were happy with the progress of the mergers as well as the restructuring and reforming of financial institutions.

However, he said there are other factors that needed to be considered.

"As I have mentioned to a lot of people, there is a tendency for oligopoly, meaning that in this world there are maybe five huge banks, five automobile companies," he said.

In this scenario, there would be just huge industries dominating others, he said, citing the aircraft industry where there were just two companies now.

The prime minister said this was the outcome of the so-called globalisation process where smaller countries would have less say and gained less benefit.

He said he had wanted to point out at the World Economic Forum in Davos that globalisation was being interpreted in just one way.

"Our view is that there could be many different interpretations of globalisation. There could be interpretations that could be beneficial to smaller countries," said Dr Mahathir, who however did not attend the forum.

The prime minister said corporations in developing countries were expected to compete with corporations from developed country which have already merged.

"It's ridiculous...we will all be swalled. I am not against globalisation but against the interpretation of globalisation," he said.

-- BERNAMA

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