

12 JUN 2002

MAHATHIR-LIBERALISATION

MAHATHIR: LIBERALISATION TO STRENGTHEN FINANCIAL SECTOR

By: Mohd Fisol Jaafar

LUXEMBOURG, June 12 (Bernama) - Datuk Seri Dr Mahathir Mohamad said liberalisation is not to solely allow greater entry of foreign players into the market but also a mechanism to strengthen and develop a country's financial system and promote its nation's economic potential growth.

"This is especially so for Malaysia, given the role of the financial sector as an enabler of growth, the crucial element which facilitates the development and economic transformation of the country.

"The financial sector, therefore, is strategic and, more than ever, would need to remain effective and responsive in the face of an increasingly globalised domestic economy," said the prime minister in his keynote address at meeting with Luxembourgish business fraternity, organised by Luxembourg Chamber of Commerce, Luxembourg Bankers' Association and the Federation of Luxembourg Industrialists, here today.

He arrived in Luxembourg from Geneva, Switzerland last night for a two-day official visit, the first by a Malaysian Prime Minister to this smallest nation in 15-member European Union but one of the busiest banking and financial hub in Continental Europe.

Dr Mahathir, who is accompanied by a delegation of Malaysian businessmen headed by Arab-Malaysian Banking Group chairman, Tan Sri Azman Hashim, said liberalisation should always be considered in the context of developing the financial sector in support of the domestic economy.

He said there was a general perception that the competitive process through deregulation, liberalisation and dismantling of barriers and controls were necessary to achieve a strengthened and efficient banking system.

"Malaysia recognises that it cannot escape the forces of globalisation and liberalisation. It will continue to suggest ways for globalisation so as to benefit more people.

"But we are nevertheless preparing our economy and its financial system in order to cope effectively with the challenges that we anticipate," he added.

Underscoring the importance of the strong financial sector to the growth of domestic economy, the prime minister said valid risks and concerns when liberalising the financial sector could not be ignored.

Sharing Malaysia's liberalisation experience, he said, the country faces a continuous challenge in adopting strategies that could help to maximise the benefits of liberalisation, while at the same time minimising the risks associated with the changes.

Of paramount importance, said Dr Mahathir, was balancing liberalisation with development considerations and the preservation of not just financial stability but also socio-economic stability.

He said Malaysia aimed to develop an effective and dynamic financial system that would assume a crucial role in meeting the socio-economic agenda of the country.

Dr Mahathir said: "Rushing to liberalise without giving due consideration to this need would only risk financial and socio-economic instability in the medium term.

"As already observed in a number of instances, financial instability as a result of inappropriately sequenced financial liberalisation could spread into devastating socio-economic instability."

Recognising such risks of a more liberalised environment, the prime

minister said Malaysia had constantly been taking steps to put in place the necessary institutional framework and establishing that required preconditions to ensure the smoothness of liberalisation measures.

For the past several decades, Malaysia has concentrated on establishing stable macroeconomic conditions, strong prudential and supervisory framework and the institutional framework to ensure the proper functioning of markets, he added.

Looking ahead, Dr Mahathir said Malaysia will continue to be committed to further liberalisation of the financial sector and the path of liberalisation would be in line with the Financial Sector Master Plan (FSMP), the blueprint for the development of an effective, competitive, resilient and dynamic financial sector in the next 10 years.

The prime minister said notwithstanding the FSMP, the burden of ensuring the success of liberalisation should not be left to Malaysia alone.

Foreign interests that have been given access to Malaysia could assume more active role in developing the country's financial sector, particularly through the offering of technological assistance in the areas where local expertise is lacking, he said.

In this connection, Dr Mahathir called on foreign players to assist through the transfer of technology, knowledge and skills to enhance the capacity and capability of Malaysian financial institutions.

He agreed that Malaysia had found it necessary to limit foreign agency participation, but said it had always encouraged greater role of foreign players in the domestic financial sector.

He explained that such role would not only strengthen the Malaysian financial sector but also create more opportunities for businesses for foreign entities in the country. -- BERNAMA

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