

13/06/2002

Malaysia committed to liberalisation, says PM

Nuraina Samad

PRIME Minister Datuk Seri Dr Mahathir Mohamad told bankers and industrialists in Luxembourg that Malaysia was committed to liberalisation but believed that the process should never be solely about allowing greater entry of foreign players into the market.

He said the Malaysian experience showed that liberalisation should be seen more as a means of strengthening and developing a country's financial system and promoting its growth potential.

Dr Mahathir, who is also Finance Minister, debunked the popular belief that Malaysia was not committed to the liberalisation of its financial sector.

He told the luncheon gathering yesterday that the country has always been committed to the progressive liberalisation of the sector, but believed that it was not seen as a means to an end.

"Liberalisation is appropriately undertaken for the benefit and in support of the development of the national economy as a whole," he said at the Hilton Hotel.

Dr Mahathir, who is in Luxembourg on a two-day visit, pointed out that the financial sector was a crucial element in facilitating development and economic transformation of the country.

"More than ever, it would need to remain effective and responsive in the face of an increasingly globalised domestic economy.

"Thus, liberalisation should always be considered in the context of developing the financial sector in support of the domestic economy."

Dr Mahathir said Malaysia's progressive liberalisation of its financial sector could be seen from the early days of the establishment of commercial banks in the country when branches of foreign-owned banks were set up in major commercial centres such as Kuala Lumpur, Penang and Malacca for the financing of external trade.

"The Malaysian banking sector was characterised by the dominance of the foreign banks. The first bank operating in Malaysia was a foreign bank branch," he said in his speech on Enhancing Malaysia-Luxembourg Economic Relations.

Dr Mahathir said as a result of Malaysia's early liberalisation measures, foreign players had already assumed a significant role in the domestic economy.

"This is a fact often overlooked," he said, adding that foreign interest accounted for about 26 per cent of the total assets, 25 per cent of total deposits and 25 per cent of total loans of the banking system.

Dr Mahathir also said Malaysia faced a continuous challenge in adopting strategies that could help to maximise the benefits of liberalisation while at the same time minimise the risks associated with the change.

He added that of paramount importance was balancing liberalisation with development considerations as well as the preservation of not just financial but socio-economic stability.

"More than anything else, Malaysia's aim is to develop an effective and dynamic financial system that assumes a crucial role in meeting the socio-economic agenda of the country."

Earlier, Dr Mahathir held a tete-a-tete with Luxembourg Prime Minister Jean-Claude Juncker at Clairefontaine Square and called on the Grand Duke Henri at the Grand Ducal Palace.

The Malaysian delegation led by Dr Mahathir later held bilateral talks

with their Luxembourg counterparts led by Juncker.
(END)