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PM: We'll act against wrongdoers (HL)

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KUALA LUMPUR, Mon. - Datuk Seri Dr Mahathir Mohamad said action would be taken against those responsible for Sime Bank Bhd's RM1.8 billion losses once investigations by Bank Negara have been completed and the wrongdoers identified.

The Prime Minister said the matter had been left to the central bank which would conduct investigations accordingly, adding that it would be unfair for anyone to suspect any person of wrongdoing until investigations were completed.

Dr Mahathir said: "We leave it to Bank Negara. We can't make wild accusations and start suspecting this person or that person. This is not the time...when we find out who the guilty are, we will take action."

The Prime Minister said this after paying a courtesy call on visiting Vietnamese President Tran Duc Luong at the Kuala Lumpur Hilton.

Asked whether names would be revealed after the investigations, Dr Mahathir said: "Of course...because we have to act against them if they are in the wrong. But bear in mind that those who borrow may not necessarily be in the wrong.

"If there's mismanagement, we will certainly take action. But if there's none, for instance if loans were given out and conditions were met and there were proper negotiations and board meetings were held, then we won't take action.

"But if loans were given out without adhering to proper banking procedures, then that is certainly wrong. We should take action in such situations."

Dr Mahathir was earlier asked to comment on calls made by some quarters that the names of Sime Bank's big borrowers be made public.

This followed the bank's announcement on March 4 of its six-month results ended Dec 31, 1997 which reported a group pre-tax loss of RM1.81 billion.

The Prime Minister also highlighted the fact that the problems faced by many companies like Sime Bank would not have occurred if the ringgit and share prices had not depreciated.

"We must remember that this problem would not have occurred if the ringgit did not depreciate. Many people are in trouble not because they are not efficient or they want to cheat. They borrowed and hoped to pay back but because the currency fell, they could not do so."

When pointed out that many had applied for loans to buy shares, and whether the problems they faced now should serve as a lesson to banks and borrowers, Dr Mahathir said:

"It is a lesson in a way. We have, in the past, advised them not to buy too many shares because it could lead to a distortion in the market.

"But the fact remains that because share prices have gone up, they borrowed as they were confident of paying up. But when certain people deliberately disposed of the shares causing prices to drop, suddenly the borrowers could no longer pay."

Asked if a commission would be set up to investigate Sime Bank's losses, he said it would be if there was a need for it.

"But at the moment, I don't think it is necessary. It is a straightforward investigation into banking practices and business... there is nothing unusual.

"Under normal circumstances, this thing would not have happened to Sime

Bank. But at present, many companies just cannot pay simply because the prices of the shares they used as collateral have dropped below the level when they borrowed," he said.

The Prime Minister was also asked to comment on criticisms from certain quarters that the Government was only helping big companies which were facing problems.

Dr Mahathir said the Government had set up lots of funds to help small and medium companies, adding that there was nothing the Government had not done to help the poor.

He said: "We are being accused of trying to rescue companies. There are quarters who want to see blood... in other words, they want to see companies collapse."

Dr Mahathir said he could not understand why the Government was not allowed to help companies if they have not committed any wrong. "When these companies make profit, 30 per cent (of their profits) will go to the Government. If they failed, we will not get any revenue."

Dr Mahathir said no criticism was levelled in the rescue of the Continental Bank in the United States and the assistance given by its government to troubled automakers such as Ford and Chrysler and other recession-hit companies by making cheap funds available to ensure their recovery.

"Why is it we are not allowed to help our companies, not just the big ones but also the small ones? We also need to help the big companies because they also pay taxes."

But when the Government did this, it was accused of only aiding its cronies, Dr Mahathir said.

"What cronies? The whole (of) Malaysia is our cronies. We are politicians and if the people don't like us, we will lose (in the elections). So we have to help everybody," he said, adding that the electorate includes not only the rich but the poor, too.

On assistance to small and medium companies, Dr Mahathir said efforts made by the Government had not been highlighted.

"I myself have gone to Japan to look for franchise and ways to start small businesses. Nobody took notice but then they accused us of not doing anything," he said, adding that the Government had even created a special ministry to help entrepreneurs.

Earlier, in a statement, DAP secretary-general Lim Kit Siang called on the Cabinet to direct Bank Negara to make public the outstanding sums and full list of those whose non-performing loans had caused financial problems to several banks, including Sime Bank, Bank Bumiputra, Abrar Finance and Cempaka Finance.

Lim said it was time for "far-reaching reforms" to make the country's banking and financial sector "a model of accountability and transparency", protected against abuses of power, criminal breaches of trust and bail-outs at public expense.

"The Government should be aware that national and international investors are sensitive about the soundness of this sector," he said.

In view of the "generally pessimistic outlook" in recent foreign Press reports, Lim said, the Cabinet should restore confidence by insisting on high standards of accountability and transparency in this sector, starting with Bank Negara making public the outstanding sums and list of persons with non-performing loans.

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