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New rules, banking practices needed (HL)

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KUALA LUMPUR, Tues. - There is a need to formulate new sets of rules, regulations, laws and banking practices to ensure that problems faced by companies during an economic downturn are not aggravated.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who said this today, added that many of the present laws, rules and banking practices tended to worsen the problems faced by corporations during economic crises.

"Obviously, there are weaknesses in corporate governance which have to be attended to.

"The ease with which the currency devaluation accompanied by share depreciation could distress even the soundest of companies points towards a need for new rules and regulations, as well as laws to improve the resilience of corporations during economic turmoil," he said.

Dr Mahathir was speaking at the launch of the Registry of Companies' centennial celebrations and the International Conference on Corporate Governance at the Kuala Lumpur Hilton.

The Prime Minister said the idea of studying and introducing new rules, regulations and laws was not to help bad companies but to enable good companies to survive when failure was not of their own making.

"Their survival and profitability is not just for their own good but for the good of the nation as a whole. Certainly, governments need profitable companies if they want to fill their coffers," he said.

In Malaysia, Dr Mahathir said, the private sector had a big role to play in nation building as it created wealth, jobs and paid taxes.

"Since what it does is important to the nation, the Government should actually facilitate the smooth functioning of private enterprise.

"The concept of Malaysia Incorporated was formulated based on the belief that close co-operation between the Government and the private sector could enhance the country's economic growth."

There used to be a belief that it was the duty of the Government to put as many obstacles as possible in the way of corporations as they were regarded as some kind of exploitative enemy, bent only on making money for themselves, he said.

"Certainly the capitalists of the past did exploit the workers and felt no obligation to the society in which they made their profits. But the socialists and the communists taught the capitalists a good lesson and they have now become more conscious of the debt to society," said Dr Mahathir.

He said because of this, governments had been able to formulate policies and laws which ensured that profits made by capitalists contributed significantly to the well-being of the communities in which they lived.

"There is no reason for frustrating the wealth-creating entrepreneurs. Indeed they should be helped because a good portion of what they make goes towards improving the lives of the people as a whole.

Dr Mahathir said although there was a risk of abuse and corruption in an environment of close proximity between civil servants and the private sector, such danger also existed when the Government distanced itself from the private sector.

"Where the Government is obstructive, such obstruction could be used to extract bribes from the private sector and at the same time national development is retarded.

"Clearly, when the Government is unapproachable, not only is corruption

not eliminated, development is slow and the economy cannot grow," he added.

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