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New rules to improve corporate resilience needed: PM

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PRIME Minister Datuk Seri Dr Mahathir Mohamad says the ease with which currency devaluation and share depreciation can distress even the soundest of companies underscores the need for new rules and regulations to improve corporate resilience.

He said many existing laws and rules, and banking practices, tend to aggravate rather than mitigate the situation faced by corporations during times of economic flux.

"These will have to be studied and new sets of rules, regulations and laws formulated," Dr Mahathir said when launching the Registrar of Companies' (ROC) centennial celebrations in Kuala Lumpur yesterday.

It is not about helping bad companies. Rather, it is a recognition that good companies should be assisted when a threat to their survival is not of their own making, he said.

"Survival and profitability is not only in the interest of the individual companies but also the nation as a whole. Certainly, the Government needs profitable companies if it wants to fill its coffers," the Prime Minister said.

The tremendous power acquired by the new capitalists through advances in information technology to move huge amounts of funds around the globe has effectively ended the sovereignty of nations with regards to currency and capital movements, he noted.

"With billions and even trillions at their disposal, they can now challenge whole governments... the free flow which should bring wealth to the poor countries of the world has instead brought about their impoverishment."

While blame may be put on various government practices, for example an alleged lack of openness, there can be no doubt that the loss of control over exchange rates and cross-border flows of capital are responsible for the existing financial turmoil in East Asia, Dr Mahathir said.

"In face of this, corporate governance must be reviewed. Obviously, there are weaknesses which have to be attended to," he added.

Dr Mahathir also said Malaysia, unlike many newly-independent countries, did not discard the market economy in favour of socialism and communism. Instead, it made the market an instrument for social engineering to achieve justice and fairness for all in its multi-racial society.

The country's laws governing corporate behaviour are such that they aid not just in maximising profits but also redistribution of wealth.

"However, the ways of Robin Hood were avoided. The rich were not robbed in order to give to the poor. Instead the rich, through their capital and entrepreneurial skills were made to generate wealth for everyone," he added.

In line with this strategy, the Government also launched a privatization programme to spur economic growth. Not only were failed government companies privatized but also many traditional government functions such as the provision of utilities were similarly farmed out to the private sector.

"Monopolies were abolished in order to stimulate competition and greater efficiency... telecommunications, power, highways, airlines, ports, delivery services and others were distributed to companies which compete with one another," Dr Mahathir said.

Therefore, the necessity for an anti-monopoly or anti-trust law as found

in some Western countries does not arise.

"No monopoly has been given to any company, certainly not on a nationwide basis. When there is a need to avoid duplication of costly infrastructure, the country is divided into regions, each being assigned to one company on a competitive bid basis," he added.

Dr Mahathir also said the impact of currency speculation which started as a ripple has resulted in a "tsunami" effect on East Asian economies, destroying in its wake decades of socio-economic achievements.

"Our cherished institutions are being severely tested while critics parade their usual generalisations and pronouncements."

What is worse, these critics who themselves operate in absolute secrecy condemn Malaysia for its alleged lack of transparency, he said.

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