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Mahathir - review

REVIEW CORPORATE GOVERNANCE, SAYS DR MAHATHIR

KUALA LUMPUR, July 7 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today called for a review of corporate governance as the current economic turmoil points to a need for new rules and regulations to improve the resilience of corporations.

"Many of the present laws and rules and banking practices tend to aggravate the problems of corporations during economic turmoil.

"These will have to be studied and new set of rules, regulations and laws formulated," he said.

The prime minister was simultaneously launching the Registrar of Companies (ROC) Centennial celebrations and opening an international conference on corporate governance here in conjunction with the event.

Dr Mahathir said the idea was not to help bad companies but to turn around good companies and enable them to survive as their 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.

Dr Mahathir said good governance for corporations could not depend on laws and their enforcement alone but also necessitated a good corporate culture.

In Malaysia the government has decided that the private sector has a big role to play in national development as they created wealth, jobs and paid taxes.

"Since what they do is important for the nation, the government should actually facilitate the smooth functioning of private enterprise," he said.

The concept of Malaysia Incorporated was formulated based on the belief that close cooperation between the government and the private sector could enhance the country's economic growth, he said.

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.

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

"There is no reason for frustrating the wealth-creating entrepreneurs. Indeed they should be helped because a goodly portion of what they make goes towards the improvement of the lives of the people as a whole. They are the goose which lays the golden eggs and the continued capacity to lay these eggs should be ensured," he said.

Dr Mahathir said the Malaysia Incorporated concept has resulted in the eight per cent plus economic growth of the nation in the past but there was the danger of abuse and corruption in such close proximity between the government personnel and the private sector.

Such dangers however also existed when the government distanced itself from the private sector, where the government was obstructive, such

obstruction could have been used to extract bribes from the private sector and at the same time national development was retarded, he said.

"Clearly when the government is unapproachable not only is corruption not eliminated, development is slow and the economy cannot grow.

"Between the risk of corruption due to close proximity between government and the private sector and that caused by a confrontational attitude by government personnel towards the private sector, there is more to be gained from the former," he said.

Dr Mahathir said the rules have to be tailored to ensure maximum gains with minimum abuse from the Malaysia incorporated concept and the culture has to be changed too.

"Corporate laws must be made suitable for positive interaction between the government and the private sector," he said.

He said Malaysia was set to grow through the privatisation and the Malaysia Incorporated strategy so that it would become a developed country by the year 2020 but unfortunately "we are now seeing the return of rampant capitalism".

"Modern information technology and the ease with which huge funds can be accumulated and managed has given the new-capitalists tremendous powers. With billions and even trillions at their disposal, they can now challenge the whole governments.

"The sovereignty of nations in terms of currency and the movements of capital have now been lost. The free flow which should bring wealth to the poor countries of the world has now brought about their impoverishment.

"Although government practices and lack of openness etc. may be blamed, there can be no doubt that the loss of control over exchange rates and the cross-border flow of capital are responsible for the financial turmoil now assailing countries of East Asia," he said.

The prime minister also said Malaysia did not need an anti-monopolies law or Anti-Trust Law as in some Western countries because no monopoly has been given to any company, "certainly not on a nation-wide basis".

"Where there is a need to avoid duplication of costly infrastructure, the country is divided into regions and each region is given to one company on a competitive bid basis," he said.

The laws and policies governing big corporations involved in privatisation ensured their responsibility to the public at all times, he said.

Dr Mahathir called on the ROC to continuously improve and upgrade its operating systems, especially in meeting the needs of an electronic government in the age of electronic commerce.

The two-day conference on corporate governance, carrying the theme of "Responsibilities, Risks and Reforms", is being attended by about 220 participants, including from overseas.

It is aimed at initiating changes towards greater harmony, standards and uniform practices nationally and internationally.

-- BERNAMA

AFY MNY SHO rn