

21/03/2001

PM: Standard of corporate governance is high

Hamisah Hamid

PEOPLE who form opinions on the state of corporate governance in the country according to the performance of stock market are taking the "lazy" way out, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

To gauge the performance of the Government, companies and banks, one should rightly look at all available economic indicators.

"Only then will we be doing a proper assessment," he said at a dialogue session of a seminar on "Integrity In Business - The Way Forward" in Kuala Lumpur yesterday.

"But this lazy kind of assessment which depends on one set of figures coming from a very unreliable source (to conclude that corporate governance) is bad," he said.

The one-day seminar was jointly organised by Anti-Corruption Agency Malaysia (ACA) and the ministries of International Trade and Industry, and Domestic Trade and Consumer Affairs.

The Prime Minister said if market indices are a measure of corporate governance, would not the Dow Jones Industrial Index's sharp decline of late also reflect bad corporate governance on the part of US companies.

"Stock markets in some developed countries are also not performing well, I suspect their corporate governance is bad too," he said to the laughter of the 1,000 or so participants.

Dr Mahathir said share prices are easily manipulated and it is not right to link them to corporate governance or economic performance.

The Kuala Lumpur Stock Exchange's Composite Index (KLCI) fell to a historic low of 262 points during the Asian financial crisis in 1997-98, but managed to climb back up and even topped the 1,000 level early last year, this at a time when companies were not as transparent as now, he added.

As for the sway that Wall Street has over local investor sentiments, he said he does not understand why something that happens in New York should have such a big impact on the KLCI, especially when the country's companies are doing well and registering billions of ringgit in profits.

In truth, the standard of corporate governance in Malaysia is much higher than in many other countries, and the companies are more transparent and better-managed, Dr Mahathir said.

"However, perceptions differ, standards also differ. For some people it is not good enough and they keep on hammering us."

Since the economic crisis, Malaysia has undertaken a major programme to institute good corporate governance among public-listed companies which emphasises greater transparency and also more protection for minority shareholders.

"You (foreign investors) should look at the whole economy and you will find that the Government of this country is very careful in monitoring all figures not just the stock market index," he said.

Investors should likewise take into account, among other things, Malaysia's sales volume, export figures and the number of ships that call at its ports.

When necessary the Government has acted to help boost activities, for example organising nationwide sales carnivals when the retail business is unsatisfactorily and home ownership campaigns to clear property overhang, he said.

It has always been the government's wish to see everybody prosper and

businesses make money, so that the country will benefit from increased tax collection. This policy has seen the economy growing at an average annual rate of 8 per cent for the past 10 years, he said.

Also present at the opening ceremony were International Trade and Industry Minister Datuk Seri Rafidah Aziz, Minister in the Prime Minister's Department Datuk Dr Rais Yatim and ACA Director-General Datuk Ahmad Zaki Husin.

(END)