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PM: KLSE performance no indicator of corporate governance

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THE stock market performance is not an indicator of a country's level of corporate governance as the market is easily manipulated, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

He said that if it is an indicator, then one could now say that American companies have a poor corporate governance record as the Dow Jones (an index of 30 industrial stocks on the New York Stock Exchange) had fallen in recent weeks.

"But they (critics of Malaysia) will not say that, it is just us (that are bad). They will find ways to find fault with us but when it happens in their own country, it's not the same," he told reporters after opening a seminar on "Integrity in Business: The Way Forward" in Kuala Lumpur.

The conference was organised by the Anti-Corruption Agency, International Trade and Industry Ministry, and Domestic Trade and Consumer Affairs Ministry.

Earlier at the dialogue, Dr Mahathir said the Kuala Lumpur Stock Exchange Composite Index had previously fallen to 262 points and then, rose to over 1,000 points, but "was that due to the influence of the level of corporate governance?"

He said it was so easy to manipulate the market and thus, it was an imperfect indicator. If people wanted to truly understand the situation, he added, they should conduct a broader-based study and look at all economic indicators.

"The stock market is the wrong measuring stick of corporate governance. It's a lazy kind of assessment which depends on one set of figures," he said, adding that Malaysia's record was better than most countries.

He also said Malaysian companies must be doing something right as they were making good profits, up to RM2 billion for some big ones.

On retrenchment, he said the companies undertaking such exercises were those which manufactured for export to the United States which was experiencing a slowdown.

"The downturn in America must have an impact on us because 18 per cent of our exports are to them," he said.

He said the retrenched workers should find it easy to get new jobs as there was full employment in Malaysia.

The nation was, in fact, providing jobs to two million foreign workers and if necessary, it would send those workers back.

As for bank retrenchments, he said it could not be helped because of the mergers but the workers would get severance pay and there were many job opportunities.

The local banking industry recently underwent a merger exercise which resulted in the 54 financial institutions merged into 10 anchor banks.

About job losses caused by the closure of SME Technologies, Dr Mahathir said the workers had engineering skills which were needed by other companies.

He said the company was not making profits as it could not penetrate the overseas market.

"But it's important for our people to learn the engineering skills," he said.