

Shift towards SUN 25 FEB 2002 better governance

Corporate clean-up of some debt-laden firms raises hopes of greater transparency in business sector

By Eileen Ng

KUALA LUMPUR: Malaysia's clean-up of some of its most heavily-indebted but well-connected corporations has raised hopes of greater transparency in the business sector, where political links have long been a major asset.

Analysts and business leaders said there appeared to be a policy shift towards better corporate governance since Prime Minister Datuk Seri Dr Mahathir Mohamad took over the finance portfolio when Daim Zainuddin resigned last June.

The premier has broken up several Daim-linked companies, including the country's most indebted conglomerate, Renong, and accelerated revamps in troubled concerns such as Malaysian Resources Corp and Malaysia Airline System.

The government took over Renong in July and removed its controlling shareholder and chairman Halim Saad, who was a close associate of Daim.

In a new revelation last week, the country's flag carrier said it had sought police help to probe irregular deals under former chairman Tajudin Ramli, another Daim protege.

The move came just a year after Tajudin controversially sold his 29%

stake in the airline back to the government at a price more than twice the prevailing market value, a deal widely seen as a bailout.

"Bailing out of favoured businesses is no longer the modus operandi, and politically well-connected tycoons are not above the law. It's a change for the better and this progress is definitely welcomed," said Nizam Idris, regional economist with Singapore-based IDEAglobal.

Megat Najmuddin Khas, president of the Malaysian Institute of Corporate Governance, said the government was demonstrating that there was "no favour or fear when it comes to corporate misdeed."

"There has been so much scepticism about the

government's seriousness in implementing and enforcing the law on these blue-eyed boys but you can see for yourself that action has been taken," he said.

Reports said the government was also pushing for Tajudin, who controls listed Naluri Bhd and Technology Resources Industries (TRI), to settle some RM1 billion in personal debt, now under government control.

The pressure on Tajudin comes at an awkward time as TRI grapples with a new stumbling block to restructure RM3.8 billion in debts after the stock exchange deferred listing of its new shares last week.

Johan Tazrin Hamid Ngo, a fund manager with Kenanga Asset Management, said the moves are a warning to errant companies.

"The message coming across from the government is that they are very serious about improving the perception of Malaysia Inc because we have had a questionable reputation in the last five years," he said.

"It is not done merely to appease foreign investors. There is genuine commitment here. I think the government is sending a strong message for companies to clean up shop."

Nicholas Zefferys, American Malaysian Chamber of Commerce president, said the government was "clearly on the

road of improving governance."

"What we are seeing is a recognition that Malaysia is now entering another phase and the government is backing off in terms of its involvement in business directly."

Some analysts fear, however, that the exercise might be politically motivated as the dragnet appeared to be targeted at individuals linked to Daim.

"They are making all the right moves but to show that they are really serious about corporate restructuring, Malaysia needs to go broader throughout the whole system and not just against certain individuals.

"The government must show it is fair to others as well and impose the same standard across the board," said IDEAglobal's Nizam.

Despite the corporate clean-up, however, the largest US pension fund, the California Public Employees' Retirement System, last week said it would withdraw from Malaysia as well as Indonesia, Philippines and Thailand due to factors such as poor transparency, labour standards and human rights.

Analysts said the fund's exit was unlikely to hurt investors' confidence as Malaysia's fundamentals and returns on investment remained strong. - AFP