

## **SEMPENA PELANCARAN SAMBUTAN 100 TAHUN ROC**

HOTEL HILTON, KUALA LUMPUR, 7 JULAI 1998

Saya mengucapkan terima kasih kepada pihak Pendaftar Syarikat kerana menjemput saya untuk melancarkan sambutan 100 tahun ROC dan juga merasmikan pembukaan Persidangan Antarabangsa mengenai 'Corporate Governance'. Sudah seratus tahun berlalu sejak syarikat saham bersama yang pertama ditubuhkan di bawah undang-undang syarikat kita walaupun pada masa itu kebanyakannya dipinjam daripada undang-undang Inggeris. Kita sudah melihat perubahan ke atas negara kita yang bertukar daripada sebuah ekonomi yang berasaskan pertanian dengan sedikit perlombongan bijih timah kepada ekonomi industri pembuatan yang berpelbagai yang berkembang pada hari ini. Kita telah mengambil jalan ke arah perindustrian bermula dengan industri-industri berintensifkan buruh dan barangan gantian import kepada industri-industri berintensifkan teknologi, modal, berasaskan eksport dan nilai ditambah yang lebih dan seterusnya dalam bidang industri-industri multimedia dan teknologi maklumat. Kita telah mencapai kejayaan dalam menarik aliran pelaburan yang besar ke dalam negara dan sektor korporat kita telah berkembang pesat sehingga mempunyai lebih daripada 460,000 syarikat.

2. Through all these changes, the roles played by the ROC have been increasingly significant. In keeping with changes in patterns and demands for its services and for corporate information so vital for the continuous progress of the economic cycle in our country as well as in promoting and encouraging a high standard of corporate governance, the roles played by the ROC have been crucial. However, developments in computer and information technology have made dramatic changes to the way people and corporations operate and ROC must continuously improve and upgrade its operating systems to meet with the challenges of this new age, especially in meeting with the needs of an electronic government in the age of electronic commerce.

3. These are changing times for companies in East Asia. The impact of currency speculations which started as a ripple has created a 'tsunami' effect in our economies, destroying in its wake decades of socio-economic achievements that was the result of the blood, sweat and tears of a nation's populace. Our cherished institutions are being severely tested whilst critics have paraded their usual generalisations and pronouncements. They say that we lack credibility. They insist that we have been lackadaisical in our enforcement of laws and regulations. They raised concerns about cronyism and say that our attempts to moderate the impact of bankruptcies are bailouts. Above all these critics who themselves operate in absolute secrecy condemn us for our alleged lack of transparency.

4. It is amazing that the same self-appointed critics were applauding our east asian miracle not too long ago. Everything that we did then was right and should be emulated by everyone. They urged their clients to move their capital to our capitals. Prudence in lending to companies was thrown out of the windows. We were persuaded to lower our barriers and admit their capital and practices into

our countries with promises of rapid wealth creation. There were talks of a world without borders, a globalised world in which the wealth of the rich would flow to poor countries.

5. Then overnight we are told that we are no longer attractive. Capital flight became the order of the day. When we try to protect our economic sovereignty we were severely punished by further impoverishment through devaluation of our currency and emasculating our stock markets. We admit that there were weaknesses and unacceptable practices in the management of our economies. But they are not any worse than the weaknesses and malpractices of the developed countries when they were growing their countries. Their rampant capitalism was so oppressive that the working classes revolted and gave rise to the socialist and communist ideologies. As we all know the conflicts which followed cost millions of lives, a hot and a cold war which sapped the wealth of the whole world.

6. Unlike many newly-independent countries Malaysia did not discard the market economy in favour of socialism and communism. But we made the market an instrument for social engineering in order to achieve justice and fairness to all in our multi-racial society. The laws governing corporate behaviour were such that they serve not just the maximising of profits but also for the redistribution of wealth. 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 their entrepreneurial skills were made to generate wealth for everyone. Judicious policies were formulated so that jobs were created, supporting industries spun off and taxes were generated to enable the Government to provide for needed infrastructures. Upward mobility for the population was made possible through generous provision of educational facilities and scholarships for those in need.

7. The Communist idea that control of the means of production by the Government would enable all the wealth creation to be in the hands of the Government and so benefit all the people was rejected. Nevertheless the Government experimented with state ownerships and monopolies. But the experiment proved the fallacy of the idea that Governments can do business and benefit the people.

8. Taking a 180 degree swing the Government adopted privatisation as a strategy for economic growth. Not only were the failed Government companies privatised but many of the traditional Government functions such as the provision of utilities were also privatised. Monopolies were abolished in order to stimulate competition for greater efficiency. Thus Government monopolies such as telecommunications, power, highways, airlines, ports, delivery services and others were distributed to companies which compete with each other. Where before there was only one telecoms department now there are nine companies providing telecommunication and broadcasting services. In Malaysia the necessity for an anti-monopolies law 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 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.

9. Privatisation spawned new and comparatively big corporations. The laws and policies governing these corporations ensure that they shoulder their responsibility to the public at all times. They are not entirely free to determine fees or fares or charges without inputs by the Government. This ensures that the political and social agenda of the nation are not neglected. Sometimes when the laws, rules and regulations seem inadequate to serve social and political objectives, moral suasions are applied. The corporation would be within their rights to appeal to a court of law but in Malaysia the social commitment of the corporations are very strong and they do not litigate. There is therefore a good corporate culture which makes up for legislative weaknesses.

10. Good governance for the corporation cannot depend on laws and their enforcement alone. A good corporate culture is a necessity. In Malaysia we have decided that the private sector has a big role to play in the development of the nation. They create wealth, jobs and they pay taxes. Since what they do is important for the nation, the Government should actually facilitate the smooth functioning of private enterprise. This requires continuous feedback and support by the Government. It was decided that close cooperation between the Government and the private sector can actually enhance the economic growth of the country. And so the concept of Malaysia Incorporated was adopted, a concept which regards the whole nation as one large corporation in which the Government and the private sector together with the workers should contribute towards its success.

11. There used to be a belief that it is the duty of the Government to put as many obstacles as possible in the way of the corporations. They were regarded as some kind of exploitative enemy, bent only on making money for themselves. Perhaps they should be frustrated if they contribute nothing at all to society. 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 they owe to society. And so Governments have been able to craft policies and laws which ensure that the profits made by the capitalists contribute significantly to the well-being of the communities in which they live. There is therefore 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 their continued capacity to lay these eggs should be ensured.

12. The Malaysia Incorporated concept encourages Government/private sector cooperation for the development of the nation. The result of their cooperation is obvious from the high (eight percent plus) economic growth of Malaysia. 13. The danger of abuse and corruption must be present in such close proximity between the Government personnel and the private sector. But such dangers also exist when the Government distances itself from the private sector. Where the Government is obstructive, such obstruction can and have been used to extract

bribes from the private sector. At the same time national development is retarded. Clearly when 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.

14. Naturally the rules have to be tailored to ensure maximum gains with minimum abuse from the Malaysia Incorporated concept. The culture too has to be changed. Corporate laws must be made suitable for positive interaction between the Government and the private sector.

15. Through privatisation and the Malaysia Incorporated strategy the country was set to grow so that by 2020 we would become a developed country. Unfortunately we are now seeing the return of rampant capitalism. The old capitalist were confined to their own countries. 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 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 the countries of East Asia.

16. In the face of this, corporate governance must be reviewed. Obviously there are weaknesses in corporate governance which have to be attended to. The ease with which currency devaluation accompanied by share depreciation can distress even the most sound of companies points towards a need for new rules and regulations as well as laws 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 sets of rules, regulations and laws formulated. The idea is not to help bad companies but to enable good companies to survive when their failure is not of their own making and to turn them around. 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.

17. I hope that in your deliberation you will give some thought to this problem.

18. I would like to congratulate the ROC and the organisers for this conference and the choice of subject. I warmly welcome the speakers and the scholars present as well as the delegates. I hope you will benefit from your participation and your visit to Malaysia. I hope you will contribute towards our search for a solution to our present problem.

19. Dengan ini saya dengan sukacitanya melancarkan sambutan 100 Tahun ROC dan merasmikan pembukaan ' ROC Centennial Conference on Corporate

Governance' .