

Contents

	Page
Abstract	1
1. Introduction	3
2. Debates Revolving Around the Failure of the Asian Model of Economic Development	4
Concluding Remarks	10
3. Consequences of the Asian Crisis for the Malaysian Economy	10
4. Establishing Concepts and Defining Parameters	13
5. Arguments For and Against Corporate Bailouts	19
“Too Big To Fail” (TBTF) Argument and Counterargument	20
Economic Sovereignty Argument and Counterargument	25
Concluding Remarks	27
6. Appropriate Government Role and Policy For Corporate Restructuring	28
Government-led or Market-led Corporate Restructuring Program	30
Distinctions Between Market-based Approach, Government-based Approach and Recapitalized-bank Approach of Corporate Restructuring	30
Relative Strengths and Weaknesses of the Various Approaches	31
Concluding Remarks	32
Circumstances Favouring Particular Approaches	33
Circumstances That Constrain Government Intervention	33
Circumstances That Require Government Intervention	33
Concluding Remarks	34
Conditions for a Comprehensive Debt Restructuring Program	35
Corporate Governance and Institutional or Structural Reforms	
Timing of Corporate Governance and Institutional Reforms	36
Corporate Governance, Agency Theory and Stewardship Theory	39
Institutional Building and Enhancement	42
Final Concluding Remarks	43
7. Conclusion	46



13.	East Asian 4: Non-Performing Loans and Recapitalization Requirements	120
14.	Summary of Corporate Governance in Malaysia	121
15.	Compliance with OECD Corporate Governance Principles	122
16.	Corporate Governance and Competition Policy	123
17.	Recent and Proposed Reforms to Corporate Governance in Malaysia	124
18.	Summary of the Malaysian Banking Industry NPLs Situation for the Past Three Years Starting December 1998	126
19.	Gearing of Selected Government Related Companies	126
20.	Progress Summary of Restructuring and Recovery of Non-Performing Loans (NPLs) by Danaharta	127
21.	Major Corporate Restructuring Exercises in 2001	127
22a.	Cumulative Progress Summary of the various Stages of Corporate Restructuring by the CDRC as at December 31, 2001	128
22b.	Cumulative Progress Summary of the various Stages of Corporate Restructuring by the CDRC as at March 31, 2001	128
23.	Malaysia's Development Over the Past Decade and Going Forward	129
24.	Some Recently Completed Nationalization Exercises	129
25.	Comparing Tajudin Ramli's and Mohamad Nor's Turnaround Plan	140
A.	Patterns of Systemic Banking Crises	146
B.	Comparison of Debt Workout Arrangements	162
C.	Purposes of Special Administration, Receivership & Liquidation	164
D.	Major Differences Between Special Administration and Section 176 Scheme	165
E.	MAS Earnings and Earnings Estimates from Financial Year 1996/97 to 2003/04	171
F.	MAS Earnings Figure for Financial Year 2001/01	171
G.	MAS Earnings Estimates for Financial Years 2001/02, 2002/03, 2003/04	172
H.	Renong Earnings for Financial Year 1996/97 – 2000/01	174
 Box		
1.	Advantages and Disadvantages of a Centralized Public AMC	119
2.	Turnaround Measures/Strategies Proposed by MAS	130
3.	MAS Management Overhaul	132
4.	Outline of UEM/Renong Group Corporate Restructuring Plan	133
5.	Asset Disposal Plans and Exercises	136
6.	Brief Outline of Restructuring Measures/Strategies to Renationalize the LRT Systems	137
7.	Urgent Priorities for MAS	139

Figures		
1.	Pathway of the Asian Financial and Economic Crisis to Social Impacts	112
2.	Loss of Market Capitalization in Crisis Countries, Jan 1996 – May 1998 (Malaysia, Korea, Thailand, Indonesia)	113
3.	Task of Large-Scale Corporate Restructuring	118
4.	Corporate Structure of MAS Before and After Proposed Reorganization	132
Appendices		
1.	Characteristics of Systemic Banking System and Corporate Sector Crisis	145
2.	Relative Strengths and Weaknesses of Three Approaches to Corporate Restructuring	147
3.	Types of Government Involvement When Such Involvement is Warranted in Ascending Order of Government Involvement	155
4.	Analysis: The unwillingness of sellers to acknowledge the true extent of their problems (and to part with previously over-valued assets) is the main reason corporate restructuring is not progressing faster.	158
	Analysis: The slow pace of corporate restructuring is linked to the uneven efforts to introduce/implement appropriate mechanisms	159
5.	IMF Recommended Policy Measures for Economic Recovery	160
6.	Malaysia's Asset Management Company, Syarikat Pengurusan Danaharta Nasional Bhd, or Danaharta	161
7.	Danamodal Nasional Bhd, or Danamodal	166
8.	Corporate Debt Restructuring Committee (CDRC)	167
9.	Government Rationale for Takeover of Putra and STAR LRT Systems	169
10.	Corporate Performance of MAS After the 1997-98 Asian Financial Crisis	170
11.	Corporate Performance of the Renong and UEM Group After the 1997-98 Asian Financial Crisi	173
References		175