

24/03/1997

174 out of 363 MoUs signed have not been implemented

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THE first alarm over the abuse of memoranda of understanding was sounded by the Prime Minister, Datuk Seri Dr Mahathir Mohamad on Thursday.

In his discussions with Mozambique President, Joaquim Alberto Chissano, Dr Mahathir advised developing countries to verify with the respective Malaysian embassies or missions before they seek the services of Malaysian businessmen.

Clearly the Premier's caution is tantamount to a back-handed slap to scoundrels among our entrepreneurs who join official entourages overseas, many of which are led by the Prime Minister himself. These businessmen sign MoUs with foreign partners, only to abort them or even attempt to resell them at a premium later.

The ire of Dr Mahathir must have been kindled by the fact that out of the 363 MOUs signed by Malaysian companies with their counterparts in 20 countries over the past five years, 174 have not been implemented. Indeed the number might be more as many such agreements are not recorded by our authorities, according to a senior official of the Ministry of International Trade and Industry.

Such manifestly insincere agreements are signed to gain momentary publicity or "to fill in the itinerary of (accompanying) VIPs". According to the senior official of Miti, this was patent in a few projects in a Balkan State where the signing of the MoUs was witnessed by Dr Mahathir which were later aborted or resold to another party. Followers of financial pages of various papers can estimate the Johnny-come-lately entrepreneurs who perpetrated these agreements.

Whatever the intent, aborted MoUs are an embarrassment to our country, especially as the signing ceremonies are witnessed by the Prime Minister or other Ministers. They knock dents in our country's image of integrity, and its reputation as a fast growing economy with companies having the expertise and access to funds to help other less developing nations in their attempt to move up the economic ladder.

They also have a deleterious effect on price movements on the Kuala Lumpur Stock Exchange. Initial announcements of MoUs on various deals signed by specific counters invariably move the price of shares. But later when news emerge that deals have been aborted, the same shares would plunge, resulting in losses for the investors who bought on prospects of earlier announcements of MoUs.

Different businessmen may have differing views about MoUs. Many view them as necessary agreements that give them time to work out the nitty-gritty of the project such as sourcing funds and evaluating the market for the joint venture products. Such assumptions are nothing more than untenable excuses. For an MOU, legally, is nothing but a document signifying intent to undertake a business venture. Both signatories have no obligation. Thus the door is always open from either party to slip out with impunity which many businessmen do after the publicity focussed on the deals fade.

What then is the answer to winnow the chaff from the grain among businessmen? Miti has come out with the proposal that businessmen who desire to spread their wings abroad register their companies credentials with the various agencies under its wings. Such a measure might not yield its desired intentions. For any wily businessmen can produce reams of documents attesting their expertise and access to funds.

The more effective solution lies elsewhere. As the senior official of Miti rightly said, "the Government (feels) there (is) no need for MoUs." His views were echoed by another corporate figure, Berjaya Group Bhd group executive director, Datuk Wan Adli Wan Ibrahim who felt that MoUs should be scrapped.

A true blue-blood entrepreneur would undertake feasibility studies of the market, cash flow, political and legal requirements or impediments, his source of funds and the capabilities of his management or the experts he can acquire and finally the viability of the project before he even negotiates a deal. Then he will be ready to sign a contract which binds him legally. If he defaults by pulling out, he forfeits whatever cash investment he has made or pays a penalty.

That should be encouraged and only these entrepreneurs who have done the necessary homework should be allowed to join official entourages on overseas investment missions.

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