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Number of MoUs not realised may be higher, many unreported

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KUALA LUMPUR, Fri. - The number of memoranda of understanding which have not been implemented could be higher than the 174 announced on Wednesday as it is not a requirement for companies to inform the authorities of signings.

A Ministry of International Trade and Industry senior official said the authorities only maintained records of MoUs signed between Malaysian companies and foreign parties during trade missions or in conjunction with visits by Malaysian leaders abroad.

He said: "The actual number of failed MoUs is difficult to establish, simply because the exact number of those signed is not available.

"Any Malaysian company can strike a deal with foreign parties and if they choose not to inform us, this will remain unknown."

He added that sometimes such pacts had been turned into a "gimmick" or an avenue to seek publicity.

The official said the Government, concerned with the large number of MoUs not being followed up, had now adopted a more "cautious" approach.

"We will now scrutinise the details of MoUs especially where Malaysian leaders are invited to witness the signing ceremonies. It will be an embarrassment to the leaders and the country later if the projects fail to get started or are shelved."

He said this was what had happened to a few projects in a Balkan State, where the signing of the MoUs was witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad.

The official said the Government felt there was no need for MoUs. Instead, both parties should enter into agreements after completion of feasibility studies on the viability of the projects.

On Wednesday, International Trade and Industry Minister Datuk Seri Rafidah Aziz said the Cabinet had decided that Malaysian companies interested in signing MoUs with foreign interests must register with the Malaysian embassy, trade office and the Malaysian Industrial Development Authority of the Malaysian External Trade Development Corporation in that country.

She said the move, effective immediately, was to ensure that MoUs signed were implemented.

Rafidah said records showed that 363 MoUs and agreements had been signed with parties in some 20 countries in the last five years. Of these, 186 were in various stages of implementation while 174 were not.

Yesterday, Dr Mahathir advised developing countries to verify with the respective Malaysian embassies or missions before they sought the services of Malaysian companies.

He said this was to avoid Malaysian companies, which had secured projects abroad or had entered into memoranda of understanding, failing to implement them.

Dr Mahathir had said that there had been companies, which, after winning projects in certain countries, had tried to "sell" them to other companies in Malaysia for a premium.

Businessman Datuk Soh Chee Wen said there had been instances where MoUs were merely used "to fill the itinerary of visiting VIPs".

"This is where the trouble starts. The ceremony is staged for the benefit of the leaders when in fact, nothing has been done to look into important aspects like the viability of the projects and the funding."

He agreed that companies should not enter into any MoU with foreign parties until they were ready.

"It will reflect badly on Malaysian companies and the country if nothing happens after MoUs are signed. Worse, it will only make it difficult for other Malaysian companies to bid or participate in other projects."

Berjaya Group Bhd group executive director Datuk Wan Adli Wan Ibrahim felt that MoUs should be scrapped.

"Only sign when you are ready ... This will save everybody a lot of hassle."

On why many MoUs had not been implemented, he said many factors could be involved.

"Sometimes the fault lies with Malaysian companies but in other instances, it is the other side that is to be blamed. There have been cases where it is the foreign parties which have pulled out."

Asked whether the presence of Government leaders at MoU ceremonies would enhance the reputation and viability of the projects, he said their attendance should be seen as a sign of sincerity of both sides to work together.

TimberMaster Industries Bhd managing director Norman Ch'ng Ping Teong said the company would only enter into an MoU when it was still uncertain and unfamiliar with the countries it planned to undertake the ventures.

"The purpose of the understanding is to give us more time to discuss things like equity participation, the management of the (proposed) joint venture company or the expertise to be brought into the company," he said.

Ch'ng added that TimberMaster treated MoUs seriously, adding that whenever such a pact was signed, the company was almost 90 per cent committed.

"It acts as a prelude to the actual agreement to be signed. We prefer to discuss and argue the nitty-gritty details before going into more detailed and in-depth discussion of the terms and conditions of the project." On claims that some listed companies made known their impending signing of MoUs to make their counters attractive, Ch'ng said: "It is very unethical for any business people to do that."

Kuala Lumpur Stock Exchange general manager Datuk Salleh Majid has been reported as not denying that share prices of several companies had gone up after they made the announcements. However, a few months later they would inform the exchange that the plans had been aborted.

An official with Business Focus Sdn Bhd admitted that some MoUs got bogged down because of weaknesses in Government administration and laws in the host countries.

However, he said as far as the company was concerned, it would try to proceed with its projects even after encountering such problems, like what it had experienced in some Third World countries.

"So far, we have implemented most of our projects despite the delays and the projects include (among others) those in China and Albania," he said, adding that Business Focus currently had projects in 20 countries.

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