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Signing MOUs is not a routine but a real undertaking

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IT SEEMS to have become almost routine to expect Malaysian businessmen to sign memorandums of understanding (MOUs) while on trade missions overseas or when foreign dignitaries come to town.

Sometimes, the number of MOUs was used to gauge the success of a visit. To the local media, the signing of such deals are stuff that make headlines.

Statistics revealed last week about these MOUs was like a blast of cold reality to those who have been harping about the number of deals Malaysia has signed. According to the Ministry of International Trade and Industry records, one out of two MOUs signed by Malaysians with their foreign counterparts in the last five years never got implemented.

Miti officials believe the exact number may be higher as not all MOUs were reported to Miti.

That the Cabinet has deemed it fit to monitor very closely all MOUs signed by Malaysians with foreign companies suggests that the situation was rapidly getting out of control. International Trade and Industry Minister Datuk Seri Rafidah Aziz said there were already complaints from foreign governments and firms about Malaysians not honouring the MOUs they have signed.

Foreign Minister Datuk Abdullah Ahmad Badawi said at stake is not only the reputation of the Malaysian businessmen, but also the ties with countries involved in the MOUs which the Government has spent years to develop.

But before anyone gets the idea that all MOUs are a scam, it is pertinent to remember that out of the 363 MOUs signed by Malaysians with 20 countries during the last five years, 189 have actually been implemented.

Many of these deals are for projects in these countries, requiring the Malaysian parties to pump in their money in what is called, in economic terms, reverse investment.

Reverse investment is important because it has been identified by the Government as a policy that will help extend the Malaysian dream to globalise.

According to official statistics, Malaysia's investment overseas have increased from RM1.4 billion in 1990 to RM5.4 billion in 1995, mainly in the developing countries. Profits and dividends derived from these investments jumped from RM1.2 billion in 1994 to RM1.6 billion in 1995 following the tax break incentives on repatriated incomes.

The amount is expected to increase in the years to come as the Malaysian private sector, backed by the current pro-business Government, spreads their wings further into traditional and non-traditional markets.

Malaysia's reverse investment progress may not even slow down by the number of MOUs that local companies fail to honour. But the fear is, sooner or later, these botched deals will jeopardise the image of Malaysia in general and Malaysian companies in particular.

Any journalist who has accompanied a Malaysian business delegation abroad will say that many of the MOUs signed had been planned well in advance. But there will always be one or two hastily-arranged MOUs.

As Rafidah said, some MOUs were drawn up on half a sheet of paper. Others have been known to sign MOUs after less than 24 hours in a country. It does not take a genius to deduce that these MOUs were created to take

advantage of dignitaries who would be asked to witness the signing.

Although Rafidah denied there were companies that signed MOUs to influence share prices at home, that suspicion has been around for some time. In fact, Kuala Lumpur Stock Exchange's Datuk Salleh Majid was one relieved man when Rafidah announced the Cabinet decision on MOUs.

But, to be fair, the failures of MOUs need not necessarily be due to the Malaysian businessmen. In some cases, the foreign counterparts should be blamed. Some foreign governments have also been known to put up hurdle after hurdle of red tape, and many Malaysian businessmen simply give up and leave town to escape the bureaucratic web.

But as Rafidah pointed out, the move to get the companies to register their MOUs will help Miti not only to monitor the progress of Malaysian companies abroad, the progress of each project, and the progress of reverse investment. It will also help Malaysian companies when they run into trouble.

Prime Minister Datuk Seri Dr Mahathir Mohamad's call for foreign governments to check the validity of Malaysian firms they are doing business with, meanwhile, shows how important it is to the Government that Malaysian businessmen safeguard their image.

To many countries in the world, Malaysia is a model of success in the Third World. It will not do for this reputation, built painstakingly from sweat and tears shed over the long years, to be tarnished by a few who think signing MOUs is only a routine, not a real undertaking.

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