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MALAYSIA-OWNERSHIP

M'SIA ABLE TO WARD OFF FOREIGN DOMINATION BY RESISTING IMF'S HELP

By: Mohd Arshi Daud

KUALA LUMPUR, July 8 (Bernama) -- When the economic crisis erupted last year with the fall of regional currencies and share prices, the likelihood of Asian companies being bought over by foreigners was rather high.

"We have seen foreigners on a buying spree in some Asian companies but Malaysia seems to be able to ward off such attempts although there have been a number of sales involving local companies to Singaporeans," said an economist, Martin Khor.

Malaysia has been better off in relation to some of its neighbours as it still has the strength to resist the International Monetary Fund-brokered economic rescue package, he told Bernama recently.

The IMF aid comes with a condition of lifting restrictions to foreign ownership of local companies, hence allowing them to acquire 100 percent stakes in local companies or set up wholly-owned foreign-owned firms at the expense of local companies, said Khor, a director of Consumers Association of Penang (CAP).

Protection of domestic companies collapsed with the withdrawal of the limit in foreign ownership in some countries, he said, pointing to reports that half or over half of Thailand's banking institutions were on the verge of being absorbed by foreign banks.

He noted that foreigners were swarming into South Korea after the IMF conditions brought down the 26 percent barrier on foreign ownership in local listed companies and the same thing happened to Indonesia's wholesale trade and oil palm plantation companies.

Khor said Malaysia should continue to manage the crisis as it has done well without outside assistance or face the risk of having to put up with social and economic costs that came with opening its economy.

"As far as possible, we must try to retain majority or controlling stake for if we lose this, there will be problems like excessive outflow of funds due to repatriation of profit.

"Under local control, the money could be redirected for investment in the country and generate local jobs as well as local expertise," said Khor.

"We had strived hard to localise our economy. When we gained independence in 1957, three British banks control 80 percent of the banking industry but today the banking business is dominated by Malaysians," he said.

Rating Agency Malaysia (RAM) economist Dr Yeah Kim Leng said although capital injection through partnership arrangement is a popular tool now to ensure the survival of companies, Malaysian firms should be given priority.

Of late, the deterioration of the Malaysian firms' financial strength, including companies which once possessed strong financial muscles, had given rise to talk that they had been engaged in discussions to woo foreign investors to become majority shareholders.

The most financially affected were companies with large foreign debts as they have to pay more with the depreciated ringgit, and this is followed by the high leverage companies due to the slump in asset prices.

Other reasons for the weakening of their financial positions were high interest on local debt servicing, cuts in their credit facilities due to tight liquidity and the decline in consumption and investment.

To avert further erosion in the cashflow of the business sector, Bank Negara had recently increased the money available for commercial lending through cutting the reserves that banks were required to maintain from 10

percent to 8.0 percent.

The government itself is reversing its tight spending and credit squeeze policy by implementing a RM5 billion stimulus package to revive stalled projects in addition to a RM7 billion ringgit government spending programme to spur economic growth.

Malaysia's economic performance saw a negative 1.8 percent growth in the first quarter of this year compared with a 6.9 percent growth in the preceding quarter.

Given this scenario, cash-rich Malaysian companies should take this painful period as an opportunity to diversify through synergistic mergers and acquisitions, said RAM's Yeah, adding that "they should not only plan for the downturn but anticipate for market recovery as well."

He said foreigners should come in with a secondary role after efforts to get cash-rich Malaysians to inject liquidity into the economy had been exhausted.

CAP's Khor felt that when Malaysian companies take in foreign partners in a worse case scenario, they (Malaysians) must as far as possible ensure that management control and decision making still lies in Malaysian hands so that the national objectives can be protected.

A foreign-controlled bank, for instance, might not have the patience with national objectives like provision of low cost housing and hence divert its resources to other sectors that would maximise their profits, he said.

For Yeah, Malaysia has the experience to manage substantial foreign presence in its economy as it did in the manufacturing sector. The recent trend of taking in foreign partners should not be viewed as alarming, he emphasised.

"At this point in time, growth and recovery prospects may override ownership equity issues," he said, adding that Malaysia was already a fairly open economy.

Malaysia, he said, has a long tradition of collaborating with its foreign partners and had benefitted through transfers of technology, capital, marketing expertise and management skills.

On Prime Minister Datuk Seri Dr Mahathir Mohamad's remarks on the "recolonisation" of Malaysian companies, Yeah said the premier could have meant short term speculators who had been blamed for the regional turmoil.

"It may create anxiety or uncertainty to the new investors but for those already here they recognise the liberal investment climate for foreigners and they are aware of prospects and opportunities in this country," he said.

Dr Mahathir has been leading the country for many years and it is well known that the country adopts a "wide" open door policy to foreign investments in sectors like manufacturing, he added.

As for the excess capacity at present, Yeah said since the government has an entry policy, it should also have an exit policy which allows companies to leave in an orderly manner.

"During the economic boom, entry is easy, but with the slowdown, the overall production capacity should be rationalised so that real production capacity would not be eroded," he added. -- BERNAMA

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