

25/07/1998

Dr M pledges stronger relations with S. Africa

Ahirudin Attan in Pretoria

PRETORIA, Fri: Prime Minister Datuk Seri Dr Mahathir Mohamad arrived here today for a two-day working visit of South Africa, pledging continued strong ties with the republic which is reeling under a severe currency attack.

He began his visit by opening the new chancery building of the Malaysian High Commission here, which "symbolises our commitment and friendship with South Africa".

"I am proud that Malaysia's relations with South Africa continue to grow from strength to strength. I would like to give my assurance that we will always accord the highest priority to our relations with South Africa," he said at the RM5 million building.

South African acting president Tabo Mbeki attended the ceremony.

Malaysia was the second largest foreign investor in South Africa before the attacks on its own currency since July last year slowed it down. Malaysian companies have invested about US\$3.8 billion (US\$1 = RM4.14) between 1994 and end-1997 but nothing so far this year.

As a result, Malaysia is the third largest investor behind the US and UK.

Malaysian High Commissioner Datuk Abdul Kadir Deen said some Malaysian companies have had to review their investment trends in South Africa because of the downturn at home, but on-going existing commitments will ensure a continued Malaysian presence.

These include two Malaysian projects to be officiated by Dr Mahathir during his visit.

The first is a sprawling upmarket housing project just outside this administrative capital involving investments of some US\$5 million (US\$1 = RM4.14) by Country Heights, which has 51 per cent stake in the project.

Tomorrow, the Prime Minister is scheduled to open Southern Bank, a 50-50 joint venture between Malaysia's Southern Bank and local interests.

Abdul Kadir told Malaysian journalists accompanying Dr Mahathir that some Malaysian investors have had to shelve their investment plans, with some projects requiring to be downsized or re-packaged and sold as a result of the economic downturn in Malaysia.

"We need to consolidate at home," he said.

Malaysia's presence in South Africa, nevertheless, remains significant. Telekom Malaysia and Petronas, with combined investments of close to US\$1 billion, are still among the biggest investors.

Telekom bought a 12 per cent stake in SA Telecom in April last year for US\$1.2 billion and Petronas a 30 per cent share in SA Engen for US\$436 million. The national oil corporation has also taken up a 60 per cent stake in an upstream oil company.

Others who have admitted being hit by the effects of the weak ringgit including Renong and Business Focus are also holding on to profitable ventures even as they re-think their other projects in property and infrastructure development.

Business Focus, for example, runs the Sandton Hilton in Johannesburg, where the Prime Minister and members of the delegation - and Stevie Wonder, who was here for the recent 80th birthday bash of President Mandela - stay. It has a 70 per cent stake in the hotel.

Renong has a majority stake in the Durban Hilton and is likely to resume plans to develop a waterfront project on 46ha of "very prime" seaside land

in Durban, the venue for the Non-Aligned Movement summit that opens next month.

Abdul Kadir said there are about 25 Malaysian companies in South Africa now. In Pretoria alone, there are more than 20 Malaysian expatriate families.

He said the Government remains confident of the future of Malaysian investments in the republic.

"Once the whole economic situation facing Malaysia back home is resolved, we can expect a rush in investment," he added.

The Prime Minister is scheduled to hold a dialogue with Malaysian businessmen based in South Africa tomorrow.

The high commissioner said there is a lot of understanding on the part of South Africa as to what Malaysia is facing now. Since July last year, the ringgit has depreciated 38.83 per cent against the US dollar.

South Africa is now suffering from similar attacks, the value of the Rand has depreciated about 25 per cent since May this year also due to attacks by hedge funds and currency traders.

The rand, which was valued higher than the greenback during the Apartheid regime (about 0.85 rand to the US dollar), had weakened to 3 rand to a US dollar by 1995. This week, it traded above 4.2 rand against the Dollar.

Abdul Kadir said there is increasing support in the republic for Dr Mahathir's call for regulated and transparent currency trading.

The lack of new investments by Malaysians are, however, offset by an uptrend in bilateral trade. Last year, total trade between Malaysia and South Africa reached US\$447 million, 27.6 per cent more than in 1996. It was also South Africa's first year of surplus in the balance of payments with Malaysia.

Trade is expected to remain encouraging, Abdul Kadir said. As at the end of May, trade with South Africa had reached US\$176 million.

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