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`Great affinity' reflected in stronger relations

Adeline Ong

THERE is great affinity between Malaysia and South Africa and this has been cemented by South African Deputy President Thabo Mvulyelwa Mbeki's two-day working visit to Kuala Lumpur.

Already there have been exchanges of ministerial visits. In July, Prime Minister Datuk Seri Dr Mahathir Mohamad himself visited South Africa. Dr Mahathir has been to South Africa close to 10 times, while President Nelson Mandela has been to Malaysia once. Mbeki's visit to Malaysia was his second.

One such example of the high level of affinity was when Mbeki indicated the consent and support of the South African Government for Petronas' takeover of Engen Ltd.

Mbeki, in an interview with Business Times, threw some light on South Africa's stand on the matter. He said his Government is "agreeable and encourages Petronas' takeover of Engen".

"From the point of view of the South African Government, the takeover will see Petronas forming a strong partnership with the black business community in South Africa.

"That will be one of the important elements in the restructuring of the ownership of Engen. It involves our policy of black empowerment," Mbeki said.

His assurance is much needed at a time when there have been many negative reports and statements on Petronas' takeover of Engen.

It was reported that Engen sources complained that the bid was opportunistic, taking advantage of the recent world market turmoil that had driven Engen shares to a two-year low with an offer that failed to recognise the energy firm's true worth.

Mbeki put it very nicely when asked if the regular South African is against the deal, as it would see Engen pass from South African hands.

He said: "I assure you that there is no such man on (our streets). There are negotiations going on and I am sure they will reach an agreement. I doubt very much the man-in-the-street will go against it."

Petronas earlier this month won the bid to take over Engen after two unnamed institutional shareholders agreed to back the takeover. Petronas owns 53 per cent of the issued share capital of Engen.

Petronas is attempting to buy out Engen and has offered to pay minorities 23 rand a share. It offered in August to buy 70 per cent of Engen which it did not already own, valuing Engen at 4.1 billion rand.

However, Petronas aside, another example of the strong connection between Malaysia and South Africa is surely the way the countries' leaders feel about hedge fund managers and speculators.

Dr Mahathir has time and again voiced his dissatisfaction and even anger towards speculators, and recently announced capital controls which have insulated, but not isolated, the country.

Mbeki has also said hedge fund managers and currency traders were behind the attack on the rand.

South Africa, said Mbeki, has itself been maintaining capital controls.

What the Malaysian Government has done is nothing foreign to South Africa. There is no situation in South Africa where there is total liberalisation of the capital market.

"We will continue to maintain our stance," Mbeki said.

The affinity between the two is reflected in bilateral relations that

have strengthened steadily.

Mbeki said: "If you look at political relations, we will find that there is very good interaction and exchange of views. Economically, the expansion of trade and investment is clearly a reflection of the good relations."

Malaysia was the second largest foreign investor in South Africa before the attacks on the ringgit that started in July 1997 slowed things down.

Malaysian companies invested about US\$3.8 billion in South Africa between 1994 and end-1997, but nothing so far this year. As a result, Malaysia is the third largest investor there behind the US and the UK.

Telekom Malaysia and Petronas are among the biggest investors in South Africa.

Telekom bought a 12 per cent stake in SA Telecom in April 1997 for US\$1.2 billion and Petronas a 30 per cent share in SA Engen for US\$436 million. Petronas has also taken up a 60 per cent stake in an upstream oil company.

Meanwhile, Renong has a majority stake in the Durban Hilton and will likely continue its development of a waterfront project.

There are currently some 25 Malaysian companies in South Africa. In Pretoria alone, there are more than 20 Malaysian families.

Last year, trade between Malaysia and South Africa reached US\$447 million, 27.6 per cent more than in 1996.

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