

01/05/1998

Partnering with the west

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OVER THE past few months, Europe has renewed interest in Asia. The Malaysian-German Business Forum held in Hannover in March was well-attended by German businessmen interested in learning more about opportunities in Asia. The Asia-Europe Business Forum held in early April in London also attracted interest in Asia. Also well received was the conference 'Building a New Asia-Europe Partnership', held in London in conjunction with the Asia-Europe summit (ASEM 2) at which Prime Minister Datuk Seri Dr Mahathir Mohamad gave the keynote address. European companies have come to see Asia as an opportunity again. They are beginning to see value, if not real bargains in Asia, with stock-markets and currencies having dropped considerably. European fund managers have, in fact, coined a new phrase, 'bottom-fishing' in Asia which is looking out for cheap sales.

Whilst many do not want to see our 'crown jewels' sold off to the West, it is also pertinent to recognise the need for new capital. Many financial institutions and corporations need new capital. Europe could be the source, albeit not the sole source, for such needed capital. Banks need to be recapitalised. An injection of foreign capital is needed to get the region out of its quagmire. We need, therefore, to face emerging corporate realities: unless we are able to recapitalise and bring in new capital, many corporations will face liquidity problems.

As capital is scarce and has other attractive destinations besides our region in general and our country in particular, we must be able to come up with attractive packages to attract foreign investments. A push for greater liberalisation and deregulation is inevitable. More and not less transparency is needed. Corporate governance needs to be enhanced. At this critical juncture or crossroads, we cannot afford to be nationalistic but be realistic.

Foreign investments should be courted and welcomed. In this regard, the recent establishment of the Malaysian-British Business Council (MBBC) which was launched by the prime minister on April 21 is indeed apt and timely as the council would promote more British investments in Malaysia as well as help Malaysian companies export to Britain and Europe. The aim of the MBBC is to enhance bilateral trade relations between Malaysia and Britain through the promotional of mutually beneficial business and investment opportunities. The MBBC brings together prominent British and Malaysian businessmen. Specifically it will encourage two-way trade and investment by recognising that Malaysia and Britain represent attractive gateways to their respective regions, encouraging cooperation between British and Malaysian companies in third countries and the formation of more joint ventures. The MBBC will not only cater to large corporations but also to small- and medium-sized enterprises (SMEs). It will get British SMEs to invest in Malaysia and help Malaysian SME's to export to Britain.

Doing business with the West is a necessity for success with the globalisation of business and markets. Doing global business requires cross-cultural understanding and the ability to communicate effectively. Learning how Westerners do business is a useful starting point for Malaysian SMEs that want to partner with Western SMEs. Successful joint ventures or strategic alliances will require the following:

- * Clear objectives of the joint-venture and clear expectations of each party in the joint-venture;
- * Advance agreement on how the joint-venture or alliance will be run;
- * Careful thinking about who will manage the joint-venture or alliance
- * Clear understanding of who brings what to the table and the benefits that will accrue to each party;
- * Prior agreement on how to mediate or resolve conflicts and disagreements; and
- * Acceptance by both sides as to how long the joint-venture or alliance should last.

In partnering with the West, Asian managers and businessmen have to be more articulate and assertive. We cannot take things for granted, otherwise differences could emerge later. We need to have a clear plan and clear objectives of what we want and expect from our Western partner. In forging successful partnerships with companies from the West, issues of technology transfer and human resource development should also be dealt with. The joint-venture should result in tangible benefits to both parties, which include the Asian partner acquiring new technologies and new skills. The current economic problem provides abundant opportunities for European companies to invest in Asia.

It is, in fact, reassuring that Europe wants to stay engaged in Asia as reflected in the statements made at ASEM 2. A recent survey carried out by the International Chamber of Commerce revealed that a majority of multinational companies expect to increase or maintain their investments in Asia despite the present crisis. Active business and economic cooperation between Asia and Europe that will result in lasting partnership for the 21st Century is needed.

For Asia to recover faster from its present economic quagmire, it needs a resumption of foreign direct investments and strong export growth. Europe has a crucial role to play in opening up its markets and in providing continued investment flows. Of course, Europe needs to be assured of Asia's ability to turnaround and to adopt reforms to make its economies more open and its practises more transparent. Reforms are painful but will restore dynamism to the economy. Strong political will is needed to endure painful reforms and structural adjustments that will embrace markets and international partnerships.

It is interesting therefore to note that at the ASEM 2 summit, the leaders from Asia and Europe in their joint statement stated their concern about the need to promote financial and economic stability as well as their support for the policy reforms being adopted. The leaders also noted that strong economic fundamentals would enable Asia's impressive growth performance to continue over the medium term.

According to the ASEM 2 summit statement, 'the leaders also discussed ways in which the international monetary and financial system could be reformed and strengthened, focusing on crisis prevention and reducing the vulnerability of domestic financial systems to potential shocks, including speculation-induced instability'.

The ASEM 2 statement went on to say that 'all ASEM partners recognised the need to take appropriate measures to strengthen consumer and business confidence in order to overcome the crisis'. The leaders also acknowledged the vital contribution of economic reform programmes, including reform in the financial sector in Asia, and global efforts to resist protectionism, stimulate investment and strengthen the international trading system. With a meeting of minds between the leaders of Asia and Europe and continued strong European interest in Asia, the scope for closer business cooperation and more joint-ventures between Asia and Europe would help facilitate faster economic recovery in the region.

Dr Mahathir's concluding remarks at the Asia-Europe Conference were apt when he said, 'In the partnership between Europe and Asia, let us not be fanatical about the means to the extent that we forget the ends. Let us be pragmatic.'

'Today the peoples of Asia have lost their means of sustenance because governments of Europe have decided to abdicate their role in favour of the free market. Can there be partnership between Europe and Asia without governments? Can markets provide the partners and a partnership that goes beyond merely the maximising of profits? Should partnerships be between equals with fair shares or should partnerships be between clients and patrons? These are the questions which we must answer, and answer them with all sincerity if we want to develop a new partnership between Europe and Asia.'