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Reviewing overseas investments

THE statement by Invest in Britain Bureau chief executive Andrew Fraser on the lull in new investments from Asia in Europe is a point to ponder. Fraser said he thinks it is going to be brief. Asian investors - including Malaysians - may come storming back sooner than anyone might expect. The point, however, is that there is going to be a break in the momentum of investment flows from these countries. For Malaysia, this is unfortunate as the Government's reverse investment policy was just beginning to bear fruit. Take Proton's acquisition of Lotus International Group, the UK's sports car and engineering group for example. The investment brought a premium to Malaysia. In fact, there was even talk about some financial institutions in the UK making it hard for the deal to go through. Today, that investment not only allows Proton to access Lotus' engineering expertise but also its research and development skills. In the UK, Malaysian investments increased from RM417 million in 1993 to its peak of RM1.355 billion in 1996 before moderating to RM561 million last year.

In Indochina, Malaysians have also become major investors. In Vietnam, Malaysian investments totalled RM127 million last year, while in Cambodia the amount was RM40 million. In China, Malaysians have also made early inroads, with total investments of RM316 million in 1997 as against RM113 million in 1993. Elsewhere in Africa, Latin America, West Asia and other developing countries, Malaysian investors have also been making their presence felt as part of the country's commitment towards South-South cooperation. The decision to invest in the South is a deliberate one; Prime Minister Datuk Seri Dr Mahathir Mohamad would visit even the smallest of nations and challenge Malaysian companies to set up operations there. As a result, reverse investments by Malaysians have gone up significantly. These will usually be followed by an increase in trade with these countries. The question now is whether we can afford this "lull" or whether we should push ahead to ensure that Malaysian investments overseas remain intact and viable. While it is good to dispose of unproductive properties in countries where the exchange rates are much higher than the ringgit, it is also important that Malaysians should try to increase their investments in countries like the UK which would generate more earnings and then repatriate them back to Malaysia for business expansion.

The proposed move by Johor Corp, which announced early this week its plan to dispose of its properties in the UK, Australia and New Zealand, should be lauded because besides taking the advantage of the exchange rates, the company will be able to reduce the cost of borrowing, which is currently high in view of the depreciation of the ringgit. With the present high rate of the pound against the ringgit, it would be good for Malaysians to harvest their investments in the UK. This will also help to reduce the need to seek new funding for their projects abroad. Deputy Finance Minister Datuk Dr Affifuddin Omar said in the Dewan Rakyat last week the the Government had succeeded in reducing the net outflow of real estate investment to RM184 million last year, following the sale of RM147 million worth of properties abroad. In comparison, total real estate investment overseas in 1996 was RM331 million. During the same period, Malaysians had sold RM255 million worth of properties abroad against an investment of RM566 million.

It may also be viable for rich Malaysian companies to take the advantage of the present exchange rates to continue or start investing abroad,

especially in potential and productive sectors to earn more profit in the long term. The returns may not be seen immediately but two or three years down the road, the profit gains from such investments can be used to help expand their domestic operations. And, with the price of commodities (like palm oil) increasing, it would be viable for Malaysians to retain their investments in such plantation sector abroad. Overall, they have to conduct a study or review whether to retain their investments or sell off their real estate investments.

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