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### Soft loan boost for hard times

ONE billion ringgit may not be too big an amount to finance projects being undertaken by local companies overseas, given that Malaysians have interests in so many ventures abroad. But as Export-Import Bank of Malaysia Bhd (Exim Bank) senior manager Engku Husain Hazmi Engku Embong said, many companies will find the soft loan a big help during these hard times. The bank will also be able to raise more in the near future to ensure that Malaysian investments abroad are not at risk as a result of the economic downturn back home. To date, Exim Bank has granted some RM2.3 billion in loans (excluding export credit refinancing or ECR) to Malaysian companies investing overseas. Applications for loans from the bank have more than tripled in the last year, reflecting a real need on the part of Malaysian reverse investors for such financing.

The country's investments overseas surged during the first part of the 1990s as a result of the Government's decision to encourage reverse investment. Malaysia's South-South policy has much to do with this decision. The Government, after having made it a point to boost trade and investment with other developing countries within the context of the Group of Fifteen (G-15) introduced the bilateral payments arrangement (BPA) to facilitate trade. The BPA saw the country's trade increase by more than 300 per cent in the early 1990s. With regards to investments, Prime Minister Datuk Seri Dr Mahathir Mohamad has always made it a point to bring businessmen along with him on his regular overseas trips, opening doors and opportunities for them to invest in the countries visited. At the same time, Malaysia Airlines was also encouraged to fly to points thought then as commercially not viable to facilitate trade and investment. By the mid-1990s, Malaysian companies had become household names in many countries, including Africa, South America and Indo-China.

The benefits from Malaysian investments overseas are many. Although repatriation of profits can be expected only in the medium to long term, the examples set by foreign investors in Malaysia, especially the Japanese, Americans and Europeans, are very clear. The presence of their businesses here has promoted products from their countries in the local market, and most of them have been able to take advantage of the cheaper labour and excellent facilities to produce more for less. The Japanese, Americans and Europeans have become more competitive through their investments overseas and, over a period of time, their companies have managed to establish themselves as international players as a result of competing in the world markets. In time, these companies will begin to export their technologies or enter into lucrative joint ventures with their host countries to develop national products. Although the Malaysian Government has a political mission of helping other developing countries prosper, Malaysian companies stand to benefit the same way the foreign investors in Malaysia have benefitted through reverse investment.

The regional economic crisis that has affected the Malaysian economy in the last one year, however, has drastically slashed investments abroad by Malaysian companies. Bank Negara conceded in its recent annual report that the uncertainty in the region had prompted local investors to defer the implementation of some overseas projects. This caused net overseas investment (including retained earnings overseas) by Malaysians to decline to RM8.4 billion last year from RM10.5 billion in 1996. What Exim Bank is doing is helping those planning to invest in new projects or expand on

existing ones to continue doing so, regardless of the rather gloomy projections in the local economy. Projects undertaken by Malaysians abroad should continue to be emphasised in view of their long-term benefits to the country. As most of their investments abroad are in countries least affected by the regional turmoil - the US received 24 per cent of all Malaysian reverse investments last year - the revenues earned in these countries can be sent back to boost Malaysia's foreign exchange earnings.

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