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South-South united against economic woes

Ahirudin Attan in Johannesburg

A HALF-an-hour drive from here, on the lakeshores of Hartebeespoort, a Malaysian company has helped transform what was just a tomato farm two years ago into a sprawling landscaped estate of more than 900 holiday homes today.

Affluent individuals from the US, Germany, the UK, Taiwan, Malaysia and China have bought homes on the 243ha Pecanwood Estate, a joint-venture between Country Heights Holdings Bhd and Maccon Investment Holdings (Pte) Ltd of South Africa.

Impressed, Prime Minister Datuk Seri Dr Mahathir Mohamad remarked that even if he had brought a lot of ringgit on his trip he would not have been able to buy a lot at Pecanwood Estate, "not because the ringgit has become worthless, but because every unit here has been sold out".

Tan Sri Lee Kim Yew, the Country Heights group managing director, has acquired another 162ha of land near the Pecanwood site to build upon the success of the earlier project.

Country Heights is one of the players that have made Malaysia the second largest foreign investor in South Africa as of last year. But Pecanwood is one of the few Malaysian ventures that are re-investing in South Africa.

Hit by the effects of the depreciated ringgit and share prices, some companies that had plans to invest big in the republic have had to sell off their projects while some others have had to downsize.

Dr Mahathir's visit to South Africa on Friday and Saturday took place at a time when Malaysia is facing a tough time as a result of last year's attacks on the region's currencies.

The impact of the economic downturn on reverse investment by Malaysians is very clear here. Malaysians had invested US\$3.8 billion (US\$1 = RM4.14) in South Africa between 1994 and 1997. However, there has been no investments at all by Malaysian companies in South Africa so far this year.

And this is, in fact, the general trend for Malaysia's overseas investments. According to Bank Negara, net overseas investments (including retained earnings overseas) by Malaysians declined to RM8.4 billion last year from RM10.5 billion in 1996.

The effect of the currency crisis is not limited to individual countries. Obviously, the weakening of the economy of a developing country like Malaysia will affect its economic cooperation with other developing countries.

For a country that has made reverse investment in developing countries a strategy to boost South-South cooperation, this state of affairs is indeed frustrating for Malaysia.

For its economic and trading partners like South Africa, the situation is worrisome. South Africa Acting President, Mr Thabo Mbeki, raised this concern at the opening of Southern Bank Africa Ltd, a 50:50 venture between Killinghall (Malaysia) Berhad, Malaysia's financial services group and the National Empowerment Trust Investment Fund Pty Ltd.

Will Malaysia's role in helping boost trade and investment with other South countries be diminished by the problems it is facing?

Dr Mahathir conceded, at a press conference with Malaysian journalists at the end of his visit, that "for the time being ... we'll have to reduce our role in South Africa".

But having said that, the Prime Minister's trip to South Africa may yet

provide answers as to how this situation could be dealt with jointly by countries in the South.

In his talks with Mbeki, the currency attack issue was raised although it did not lead to any concrete possibility of a joint effort to deal with the issue. The important thing is that the problem is being addressed at the highest level, and at bilateral talks, between the two countries.

In Namibia, where the Southern Africa International Dialogue (SAID) opens next week, Dr Mahathir may take this a step further. There he is expected to share with the Southern African leaders Malaysia's experience in dealing with the currency crisis.

"(The currency problem) is not just a South-East Asian problem. South Africa is also facing the problem. There is growing interest in the issue. (The African leaders) want to know more about the currency attack, how it is done and what they need to do to counter or protect their economies," Dr Mahathir said.

SAID will present Malaysia with another opportunity to renew its call for regulated and transparent currency trading, after having brought the matter to the World Bank/International Monetary Fund meetings, the Group of Fifteen developing countries, the Asia-Pacific Economic Cooperation forum, the Asia-Europe Meeting, the Commonwealth Heads of Government Meeting, and the Organisation of Islamic Conference, among other international forums.

At the very least, it has found a strong and reliable ally in South Africa to help push the message across the African continent.

With its own currency, the rand, having lost about 30 per cent of its value since May this year due to currency attacks, South Africa is beginning to understand very well the dangers of currency speculation to its economy and that projects like Pecanwood and others will not be possible in the future if the economy cannot deal with the new threat to the South.

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