

Ensure foreign ventures are undertaken by competent groups

THE Prime Minister has recently urged local businesses to invest overseas and bring home technology for the benefit of the economy and the people.

Datuk Seri Dr Mahathir Mohamad said the government was looking into incentives which could be offered to local companies that had been successful in buying over foreign businesses.

I think the Prime Minister's call is timely.

If we look back to the pre-Asian currency crisis/recession years, Malaysian businessmen were an enterprising and aggressive lot venturing far and wide - in part because they had a visionary and dynamic leader in Dr Mahathir encouraging them all the way.

Malaysia boleh became their catch phrase.

Unfortunately, in their enthusiasm to expand, many Malaysian companies rushed into all sorts of ventures overseas without adequate research and care. As a result, many of them suffered losses.

Also, some of the so-called over-

seas investments, joint ventures or memoranda of understanding for gaming licences, logging concessions and toll projects were dubious from the start, undertaken more with an eye on the share price on the KLSE rather than the economic viability or fundamentals of the proposals.

Some of these Malaysian businessmen were corporate buccanniers, who gave Malaysia a bad name overseas, and committed plunder on minority shareholders at home.

Following the Asian financial crisis, and the imposition of foreign exchange controls, the government is adopting a stricter criteria when approving foreign purchases by Malaysians.

This is largely because of the need to conserve Malaysia's precious foreign exchange reserves which are crucial for the stability of the ringgit peg of RM3.80 to the US dollar.

Before the currency crisis, it was very easy for local businessmen to get Bank Negara's approval

COMMENT

By WONG SULONG

to transfer funds to buy foreign assets. As a result, some businessmen used ringgit funds to speculate in property or other non-productive ventures overseas.

These days, Bank Negara will only allow overseas investments if the proposed projects or businesses are of strategic and beneficial interest to the country.

Understandably, the phrase "of strategic and beneficial interest to the country" is quite subjective, giving the authorities considerable leeway to decide whether to approve or reject an application.

Dr Mahathir has singled out two ventures which he felt were of strategic or beneficial interest to the Malaysian economy: the purchase of the Lotus car company and Laura Ashley.

In both cases, the Malaysian buyers - Perusahaan Otomobil Nasional Bhd (Proton) and Malayan United Industries Bhd (MUI) - not

only displayed shrewdness in their acquisitions, but had to invest a lot of money and management time to turn them around.

Lotus is now making a substantial contribution to Proton's engineering capability, not to mention the many spin-offs of owning a famous brand name.

According to Proton chief executive Tengku Tan Sri Mahaleel Tengku Ariff, Lotus currently handles about RM600mil worth of engineering services. With Lotus's technology, Proton can now design and develop a new car model for under RM200mil, instead of the normal RM500mil.

In the case of Laura Ashley, it fits in well with MUI's expansion into retailing. The English garment company, famous for its floral and country-style designs, was in financial trouble when taken over by MUI.

The Malaysian company injected substantial fresh funds into Laura Ashley, and finally got the right formula for its revival by positioning it as a lifestyle brand, rather than as a garment maker.

I like to include two other acquisitions in the same category as Lotus and Laura Ashley. They are Kuala Lumpur Kepong's purchase of Crabtree and Evelyn and Royal Selangor's acquisition of Comyns.

Crabtree and Evelyn is a well-known brand, specialising in personal-care products and gifts.

By acquiring Comyns, Selberan and Selcraft, Royal Selangor not only extended its product lines beyond pewter to jewellery, hall-marked silver and hand-painted collectibles, but also acquired the moulds, which are invaluable for the Malaysian company.

The point about the foreign acquisitions by Proton, MUI, KLK, and Royal Selangor is this: there are many Malaysian companies that are managed by professionals. They focus on what they know best and are transparent in what they are doing.

The government should encourage these companies to venture overseas. Locally they should be given every opportunity to grow for the benefit of the nation.