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Massa moving on

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AS emerging markets become more business-friendly and Malaysian companies gain confidence to invest abroad on their own, the Malaysia South-South Association (Massa) has had to reassess its role.

Formed with the aim of promoting trade and investment in developing economies, it is now changing its focus.

'We are looking at new investment destinations like China. We are seeking new ways to add value to industries by combining or looking at opportunities in new economy industries like information technology and biotechnology,' says a Massa official.

Massa, with some 180 members, was set up in November 1991 at the suggestion of Prime Minister Datuk Seri Dr Mahathir Mohamad to promote trade and investment in Asia, Africa and Latin America, collectively known as the South countries.

A non-profit association, Massa was to serve as a platform and a link between the Malaysian business community and South countries, with Wisma Putra providing the government-to-government-level support. Massa would be the launching pad for Malaysia Incorporated's move abroad.

'The Prime Minister has been the greatest force behind local companies going abroad. He is dedicated to the idea of South-South corporation,' says Datuk J Jegathesan, chief executive officer of JJ International Consultants Sdn Bhd.

'I remember when I was with the Malaysian Industrial Development Authority, he told us "When we were down, others helped us and now that we are up, let us go and help others". He was very particular that it must be a win-win situation.'

Jegathesan says Dr Mahathir led business delegations abroad.

'I don't think there is any other national leader who has led so many business delegations into Africa and other South countries,' adds Jegathesan, who is currently senior investment and technology adviser to the United Nations Industrial Development Organisation's (Unido) Asia Africa Investment and Technology Promotion Centre and senior investment adviser to the United Nations Conference On Trade and Development (UNCTAD).

Because of the Prime Minister's personal relationship with leaders of developing countries, Malaysia has the highest level of investments in countries like Ghana, compared to other foreign investors.

Massa set up Malaysia South-South Corporation Bhd (Masscorp) in 1992 as its investment arm. The company undertook a few overseas projects worth about RM60 million over the past decade.

In Chile, Masscorp has a 30% share in the development of an 11-storey office tower, Edificio Malasia, in Santiago which houses the Malaysian embassy. The other partners are IJM Corp Bhd (20%), Kris Safety Footwear (10%) and Perbadanan Kemajuan Negeri Selangor (40%).

The other main investment was an export-processing industrial park in Danang, Vietnam, in which Masscorp holds a 65% stake. This project, according to sources, has burnt Masscorp's fingers by its poor take-up of space by factories. Quang Nam-Danang Export Processing Zone Development Corporation holds the remaining 35% stake in the 300ha park.

Masscorp is now undertaking a RM152 million water-treatment project in Vietnam that will supply 100 million litres of treated water per day to the vicinity of Ho Chi Minh City, in cooperation with Selcom Engineering

Sdn Bhd and IJM.

The company also has a hotel in Myanmar, a leather tannery in Argentina, and trading outposts in Uganda, Vietnam and United Arab Emirates that act as nerve centres for the regions.

But although successful investments in Latin America and Africa are lucrative, `problems like bureaucratic red tape (these have been reduced but not eradicated), geographical and language barriers, political instability and industrial unrest have seen a shift towards India and China or other English-speaking countries', says Mohd Tahir Jamhari, national project coordinator with Unido.

With little demand for its services due to the difficult economic environment, Massa has been winding down its Latin American operations while investment into Africa have had their share of problems.

The Massa official says Malaysian investors are comfortable with the usage of English in India and its almost similar legal system. As for China, it has traditionally been a trading partner of Malaysia and for companies to invest there is a natural progression.

`Massa is now moving to provide value-added services to investors in China but we want to concentrate on inland areas instead of the coastal areas such as Shenzhen, Guangdong and Shanghai, where investors already have a strong presence,' he adds.

Massa's customer focus has also changed. Massa is now interested in attracting small-scale and medium-scale industries to use its services.

`They are more decisive and may not have the necessary resources to go abroad on their own. The bigger companies in Malaysia can compete well abroad and they have good government-to-government level networking,' says the Massa official.

Masscorp's limited financial resources means the company's involvement in future projects will be limited.

`Medium and small companies that have reservations about investing abroad could use Massa,' says Jegathesan. `Massa's strategy of going in consortium form can provide some investors the comfort of company. Malaysian companies need to move abroad to increase their comparative and competitive advantage, much like what the Japanese and Americans have been doing.'

Tahir's advice to companies interested in investing abroad is for them to find the right local partners, and to always maintain a majority shareholding with an option to sell their shareholding after a certain period.

Due to the high risk in some South countries, investment must realise a profit of 100% to 150% and the investment payback period should be within five years.

How successful Malaysian investments in the South countries are will reflect how relevant Massa will be in the future.