

01/06/2003

'Do homework first before venturing to China'

KUALA LUMPUR, Sat. - Malaysian businessmen should learn from the mistakes of those whose ventures in China have failed due to an inadequate knowledge of local laws, business culture and wrong choice of partner.

Chinese Ambassador to Malaysia Hu Zhengyue said today that Malaysian businessmen should do their homework before venturing into China.

"Knowing Mandarin and having a common heritage are not enough. You have to work hard at understanding how business is done in China," he said in an interview.

He said this when asked to comment on the reasons behind the failure of some Malaysian businessmen in China.

Hu said the key to business success in China was having an experienced partner, identifying a competitive advantage, ability to compete with Western conglomerates and ascertaining the intended market.

"Find the right local partner. You need to invest in areas in which you have an edge. Family-owned Malaysian businesses usually find it hard to compete with large foreign companies."

Hu said American, Japanese and European investors were usually successful as they believed in a long lead time before actual entry into the market.

They usually began researching ground conditions, including local laws at least five years before investing. But this was not the case with some Malaysian businessmen who invested too soon in inappropriate sectors, he added.

Hu said Malaysians had invested in 2,500 projects in China valued at RM11.4 billion (US\$3 billion). The average investment was RM3.8 million (US\$1 million) with Malaysians investing a total of RM1.14 billion annually in China, mostly in the service sector.

"The majority of Malaysian businesses in China are doing well. There have been a few failures. This is usual as the current economic crisis has had an effect on investments."

On Chinese investments here, he said 100 companies had invested nearly RM380 million (US\$100 million) with new companies expected to arrive soon.

"We are also interested in agriculture here. We may be able to help increase the padi yield. There is also a huge market in China for Malaysian seafood."

On bilateral ties once deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi takes over from Datuk Seri Dr Mahathir Mohamad in October, he expected the relationship to continue to grow.

"Abdullah is familiar with China and has visited our country many times."

Hu expected a high-level delegation from China to visit Malaysia later this year.