APPENDIX

MALAYSIAN INVESTMENT OVERSEAS
(RM million)

Country / Year	1991	1992	1993	1994	1995*
Hong Kong	239.0	336.7	733.9	1,295.7	599.3
Singapore	348.3	258.6	685.8	944.1	1,130.4
United States	45.4	93.9	627.6	459.0	357.9
Australia	49.3	99.9	137.4	446.4	427.8
United Kingdom	105.8	63.0	372.2	311.1	228.8
Philippines	3.9	5.9	54.0	294.6	428.7
China	11.2	20.1	112.2	195.2	268.3
Indonesia	3.2	10.0	10.6	85.6	259.2
Vietnam	-	13.3	7.6	69.2	78.8
Germany	1.1	4.8	137.6	59.5	50.7
Japan	102.6	111.1	108.2	44.2	36.8
Thailand	8.1	24.0	32.7	37.6	66.6
Brunei	3.7	1.1	0.7	-	2.7
Others	160.2	278.7	404.0	531.9	814.0
	1,081.8	1,321.1	3,424.5	4,774.1	4,750.0

* Jan - Oct only

Note: Investment overseas covers equity investments, purchase of real estate abroad and loan extednded to non-residents (excluding commercial bank loans).

Source : Cash Balance of Payements Reporting System, Bank Negara Malaysia

APPENDIX

Foreign Direct Investment By Malaysian Entrepreneurs (RM million)

Year	Direct Investment	Purchase of Properties	Loan Extended	Total FDI
1980	72	246	120	438
1981	278	179	218	675
1982	278	170	160	607
1983	201	117	206	524
1984	233	135	201	568
1985	203	57	261	521
1986	274	45	324	643
1987	172	30	339	540
1988	107	64	349	519
1989	302	25	413	740
1990	468	86	887	1,442
1991	582	67	476	1,126
1992	765	58	441	1,264
1993				3,500
1994				0

SAMPLE QUESTIONNAIRE

SECTION I

1. Please indicate your (parent) company's core business

   1. Construction ☐
   2. Manufacturing ☐
   3. Mining ☐
   4. Plantation ☐
   5. Property Development ☐
   6. Others (Please specify) ☐ ....

2. How many years were it since your company first ventured overseas?

   1. Less than 1 year ☐
   2. 1 - 3 years ☐
   3. 3 - 5 years ☐
   4. 5 - 7 years ☐
   5. More than 7 years ☐

3. When your company first invested in overseas, what was the type of venture? (*You may tick more than one of the following*)

   1. Construction ☐
   2. Manufacturing ☐
   3. Mining ☐
   4. Plantation ☐
   5. Property Development ☐
   6. Others (Please specify) ☐..

4. Below are some study tools which your company may have used to study the foreign investment issues prior to implementation. Please rank in terms of importance (1 = most important; 8 = least important).

   Assessing / forecasting national economies and demands ☐
   Cross-cultural management issues ☐
   Export and global logistics ☐
   Foreign exchange risk ☐
   International marketing management issues ☐
   Political and country risk ☐
   Others (Please specify) ☐ ....

5. How long did your company take to study before embarking on the investment on property/construction activities for the first time?

   1. Less than 6 months ☐
   2. 6 to 12 months ☐
   3. 1 to 2 years ☐
   4. 2 to 3 years ☐
   5. More than 3 years (Please specify) ☐ ....

The following questions are in respect construction and property development activities overseas undertaken by your company to date.

6. Please list below the country(ies) in which your company <u>has invested</u> and the size of investment?

   Countries — Amount (RM'million)

   1. ....
   2. ....
   3. ....

7. Please state the type of development. (*You may tick more than one of the following*)
   1. Commercial ☐
   2. Hotel and leisure (including golf courses) ☐
   3. Industrial ☐
   4. Plantation ☐
   5. Residential ☐
   6. Others (Please specify) ☐ ....

8. In what way is your company investing overseas? (*You may tick more than one of the following*)
   1. Bought property* for landbank purposes ☐
   2. Bought property* and proceeded with development ☐
   3. Construction activities ☐
   4. Joint venture with foreign firms in construction ☐
   5. Joint venture with foreign firms in development ☐
   6. Joint venture with the foreign government in development ☐
   7. Others (Please specify) ☐ ....

(* *Property includes any real estate as well as completed/existing buildings*)

SECTION II

9. Reasons for the decision to invest overseas, instead of investing locally. (*You may tick more than one reasons*).
   1. To develop new market ☐
   2. Have obtained contract of construction ☐
   3. Attractive incentives offered by host country ☐
   4. Relatively cheaper property ☐
   5. Relatively better returns on investment ☐
   6. Others (Please specify) ☐ ....

10. Please rank in terms of importance (1 = most important; 9 = least important), the criteria on which your company has based when choosing the particular country for investment.

Economic stability ☐
Foreign currency advantage ☐
Good infrastructure ☐
Government incentives (domestic and host country) ☐
Liberal financial repatriation policies by host country ☐
Political stability ☐
Potential market and future growth ☐
Relatively cheaper labour cost ☐
Others (Please specify) ☐ ....

SECTION III

11. What were the three (3) main difficulties encountered when you first invested overseas? *(Please rank in degree of severity : 1 = worst; 2 = worse; 3 = bad)*

1. Bureaucratic problems due to .... ☐
2. Cultural differences ☐
3. Labour problems ☐
4. Lack of legal structure ☐
5. Poor infrastructure ☐
6. Stringent policies imposed by foreign government ☐
7. Weak financial system ☐
8. Others (Please specify) ☐ ....

12. In your opinion, which of the following will pose as major difficulties in the next 5 years. *(Please list 3 main difficulties)*.

1. Bureaucratic problems due to .... ☐
2. Cultural differences ☐
3. Labour problems ☐
4. Lack of legal structure ☐
5. Poor infrastructure ☐
6. Stringent policies imposed by foreign government ☐
7. Weak financial system ☐
8. Others (Please specify) ☐

....

13. How has your company strategically addressed the difficulties stated?

....

....

....

SECTION IV

14. What is your company policy on the extent of ownership of investments in the host country. Please identity the conditions imposed•by the host country, if any.

			Comments/Conditions
1.	100% ownership	☐	....
2.	More than 50%	☐	....
3.	Equal (50% - 50%)share	☐	....
4.	Less than 50%	☐	....

15. Does you company have a global policy?

☐ Yes ☐ No

If no, please skip questions 16 to 19.

16. Please list below the country(ies) that your company <u>may be interested</u> to invest in?

1. ....

2. ....

3. ....

17. Please rank in terms of importance (1 = most important; 9 = least important), the criteria on which your company has based when choosing the country for investment.

Economic stability ☐
Foreign currency advantage ☐
Good infrastructure ☐
Government incentives (domestic and host country) ☐
Liberal financial repatriation policies by host country ☐
Political stability ☐
Potential market and future growth ☐
Relatively cheaper labour cost ☐
Others (Please specify) ☐ ....

18. Reasons for the interest. (*You may tick more than one reasons*).

1. To develop new market ☐
2. Have obtained contract of construction ☐
3. Attractive incentives offered by host country ☐
4. Relatively cheaper real estate ☐
5. Relatively better returns on investment ☐
6. Others (Please specify) ☐ ....

19. What/how is the role of the parent company?

1. Pivotal ☐
2. Buyer ☐
3. Supplier ☐
4. Management/Controlling stake ☐
5. Others (Please specify) ☐ ....

SECTION V

20. How important does your company view the setting up of a Research and Development section for the overseas investments, either in the host country or locally?

1. Critical ☐
2. Very important ☐
3. Important ☐
4. Quite important ☐
5. Not important ☐

21. Based on you or your management's assessment, how well has your company been in identifying and addressing the differentiated needs of the customers in the host country?

1. Very well ☐
2. Well ☐
3. Reasonably well ☐
4. Not very well ☐
5. Not applicable ☐

22. Would you consider that your company has a competitive advantage in the business in the host country of investment?

☐ Yes ☐ No

(If no, please skip Question 23 below)

23. If yes, which aspect of your business would you consider to be your company's competitive advantage? (*You may tick more than one of the following.*)

Please elaborate, if possible

1. Financial strength ☐ ....
2. Marketing strategies ☐ ....
3 Operations management ☐ ....
4. Product, e.g. an established brand ☐ ....
5. Skilled management ☐ ....
6. Technology - Process Technology ☐ ....
   - Product Technology ☐ ....
7. Others (Please specify) ☐ ....

24. Based on the above-mentioned resources, which in your opinion, could most readily be used as leverage in the host country of investment.

1. Financial strength ☐
2. Marketing strategies ☐
3 Operations management ☐
4. Product, e.g. an established brand ☐
5. Skilled management ☐
6. Technology - Process Technology ☐
   - Product Technology ☐
7. Others (Please specify) ☐ ....

25. Please list the three (3) main incentives which, in your opinion, the Malaysian Government has offered to the Malaysian companies to promote the foreign investment in property development and construction activities overseas.

1. ....
2. ....
3. ....

26. Please list other incentives which, in your opinion, the Malaysian Government can offer to the Malaysian companies to promote the foreign investment in property development and construction activities overseas.

1. ....
2. ....
3. ....

The following questions relate to how the Malaysian government attracts foreign direct investment in Malaysia.

27. Please list the three (3) main incentives which, in your opinion, the Malaysian Government has offered to foreign companies to promote the foreign investment in Malaysia.

1. ....
2. ....
3. ....

28. Please list other incentives which, in your opinion, the Malaysian Government can offer to the foreign companies to promote the foreign in Malaysia.

1. ....
2. ....
3. ....

List of Companies Interviewed

1. Antah Holdings Bhd
2. Berjaya Land Sdn Bhd
3. Binapuri bhd
4. Country Heights Bhd
5. FACB Bhd
6. Gamuda Bhd
7. IGB Corporation
8. IJM
9. Kumpulan Guthrie Bhd
10. Land & General
11. Lien Hoe
12. Lion Group
13. Malaysian Construction Venture Overseas
14. Masteron (a subsidiary of Federal Furniture
15. Pilecon Engineering Bhd
16. Sime Darby Bhd
17. Sunway City Bhd
18. Landmark

REUTER NEWS

08Jan94 MALAYSIA: PNB TO GRADUALLY INVEST MORE ABROAD.
By Paramjit Singh.

PERMODALAN Nasional Bhd (PNB) has set a long-term target to invest 10% of its investment funds overseas, from the present 2.5%. The group also plans to establish an Asean fund by mid-1995 to channel some investments into Asean countries to expand its overseas investments, group chief executive officer Datuk Abdul Khalid Ibrahim told Business Times. PNB first got off the ground on March 17 1978, with RM3bn provided by the Government. Up to 1990, PNB's role was directed towards building up a sizeable portfolio because it needed a strong base before going into high-risk ventures or take on bigger challenges. Its fund now stands at about RM20bn, thanks to a steady flow of investments from Bumiputera investors. To date, PNB has been involved in joint-venture projects ranging from petrochemicals to automotive parts. The major Bumiputera institution in the country has now targeted its overseas investment, to be focused in the Asean region, to grow to 5% of its total funds in the next three years. PNB now has about RM500m in various investments overseas, including on stock exchanges, in international money market instruments, venture capital and with the Islamic Development Fund. The bulk of these investments are in Tokyo, London and New York. Khalid said although the target of placing only 10% of PNB's investment overseas is low, the group's priority is mainly to expose itself to the growing markets in the region. PNB's investments are managed by its international fund management unit. The unit, now in its fourth year of operation, has invested in about 20 countries, either directly or through appointed fund managers. Khalid said switching PNB's focus of foreign investments to markets in Asean is actually the third phase of its three-prong strategy starting this year to disseminate investment knowledge to Malaysians, particularly Bumiputeras. The strategy involves the setting up of an educational scheme in schools and improving PNB's information network throughout the country, before enlarging its investment horizon. The first phase, a programme called "Bijak Sifir", will initially be launched in 84 schools throughout the country on January 15. The affair will be officiated by Prime Minister Datuk Seri Dr Mahathir Mohamad. The scheme aims to inculcate among students, below the age of 12, the importance of mathematics, Khalid said. Schools that are identified as having promising students will be rewarded while those found to have weaknesses will be provided with an extended programme. This will be followed by television programmes on investment schemes, which will immediately benefit PNB in terms of providing to investors an understanding of Amanah Saham Nasional (ASN) and Amanah Saham Bumiputera (ASB). PNB will then embark on the second phase of its programme, on improving its information network throughout the country. PNB's network, which currently comprises counter services at post offices and banks, will be expanded to provide information in rural areas. Khalid said one way will be by installing terminals providing information on the stock market and on ASB and ASN nationwide in the next two years.

Even though it is expanding overseas, PNB will continue to be mainly a domestic investor. He said that PNB's choice of partnerships will continue to be with companies that are going to be with PNB for a long time. "Companies under PNB must be socially responsible in the long run, and must not take short cuts to make profits," Khalid said. He said he believes that to be commercially successful, a company has to be profitable, but profitability must be on a continuing basis. "PNB will continue to support all the companies under its wings to develop with a short-term profitability plan and a long-term sustainability programme," Khalid added. He said PNB will not interfere in the management of its subsidiaries if they are doing well. "Their managers are paid to manage the companies," he added. However, he said PNB will maintain an influence in matters like its subsidiaries' restructuring programmes and the selection of their chief executive officers (CEO). Asked about the absence of a CEO at Kumpulan Guthrie Bhd (Guthrie) since the resignation of Tan Sri Ani Arope, Khalid said Guthrie has a management committee for now, and he himself is personally involved in the running of the company. In the next six months, Guthrie will have a permanent programme drawn up to see it through the next three to five years. "We will have to put the house together first before selecting a new CEO," Khalid said.

BUSINESS TIMES (MALAYSIA) 8/1/94 P1

08Apr94 MALAYSIA: MALAYSIA TO FORM NEW GOVT INVESTMENT CORPORATION.

By Leslie Lopez.

THE Malaysian government is to set up a new state corporation, fashioned along the lines of the Government of Singapore Investment Corporation (GIC), to obtain better returns from its wealth of national assets. Senior government officials familiar with the proposal say the new corporation, a brainchild of Prime Minister Mahathir Mohamad, will be called Khazanah Malaysia, or Malaysian Treasure. It will inherit assets valued at several hundred billion ringgit currently held by the Minister of Finance Incorporated, the state's main investment holding arm. According to officials, Dr Mahathir will be chairman of Khazanah and will oversee its operations. Legislation for the new corporation will be gazetted by Parliament in the coming months. It is not known whether, in addition to managing state assets, Khazanah will take over from Bank Negara, the central bank, the job of managing the country's M$76 billion foreign exchange reserves. (Bank Negara last week announced foreign exchange losses of M$5.7 billion for 1993, right after losing a staggering S$10 billion a year earlier. Central bank governor Jaffar Hussein has stepped down to accept responsibility.) But like Singapore's GIC, Khazanah will launch a new overseas investment drive aimed at acquiring foreign assets to boost Malaysia's economic presence in the region, officials say. It will seek to jump-start the perceived slow progress of the private sector in penetrating new markets and diversifying the country's economic linkages. Government officials say Dr Mahathir, who has actively spearheaded Malaysia's drive overseas and break the dependence on traditional trading partners, has been dissatisfied with the pace of investments by the local private sector. "The private sector appears to need some direction and Dr Mahathir feels that the government with its huge assets can act much quicker in securing strategic holdings overseas to expand our markets," said a senior government official. Analysts and economists say that such a corporation is long overdue. After Malaysia's transformation from a commodity-dependent nation into a newly
industrialising economy, investments into other developing economies is vital for sustained growth. Government planners agree, saying there has not been enough attention devoted to managing the country's assets, made up largely of properties and financial holdings in a gamut of private and public companies. Indeed, the incorporation of Khazanah Malaysia will mark a new approach. Since the mid-1980s, privatisation has been the main thrust in the government's efforts to transfer public assets and raise funds to finance its development programmes. Among the more prominent flotations have been national carrier Malaysia Airlines, state power company Tenaga Nasional and telecommunications firm Telekom Malaysia. These alone give the government the largest presence on the KL Stock Exchange. Analysts say Khazanah will speed up the privatisation process and help recycle previously dormant assets held by the state. A senior executive with a state-owned company said a problem with the current set-up is that assets are being overseen by different units of the government. By putting them under one roof it will cut down duplication and maybe allow the companies to run as part of an effective corporation."

BUSINESS TIMES (SINGAPORE) 8/4/94

01Nov94

MALAYSIA: TAX INCENTIVE SHOULD SPUR MORE `REVERSE INVESTMENTS'.

By Dafizeck Daud

The almost complete tax exemption for Malaysian companies on remittance of overseas income is expected to encourage the private sector to invest more overseas.

Ernst and Young executive director S. Sivalingam told a Press conference at theBudget analysis in Kuala Lumpur yesterday that the incentive is significant in the country's push towards more "reverse investments".

On the other hand, he noted that there is no mechanism for such income to be distributed by the company as tax exempt dividends to its shareholders.

Consequently, a company that attempts to distribute such income will be effectively subject to tax.

The Budget 1995 has proposed for all income derived from overseas by resident companies and remitted into Malaysia be exempted from tax. However, the proposal is not applicable to companies carrying on the business of banking, insurance,

shipping and air transport. Under the current legislation, income derived from overseas and remitted to Malaysia is subject to income tax. An exception, however, is granted for income derived from an approved overseas investment project - export of services in the oil and gas sector or from an overseas construction project - in which case a 70% tax exemption is granted. Furthermore, the proposed reduction in income tax rate for companies will put Malaysia's corporate tax rate at par with those in Thailand and Brunei while Indonesia and the Philippines impose a 35% corporate tax each. Despite the 2% reduction to 30%, the Malaysian corporate tax rate is still 3% higher than that of Singapore, said Sivalingam. At the corporate level, a company that pays a dividend in 1994 will be deemed to have deducted income tax at 30% instead of 32%. Where a deduction of 32% has been made by a company, it must recompute its Section 108 balance to reflect the reduced tax rate of 30%. Meanwhile, Sivalingam urged Malaysian companies to review their existing loan agreements, especially those sourced from foreign institutions in view of the proposed reduction of withholding tax rates. Under the current legislation, withholding tax is imposed on interest, royalty, technical fees, certain specified services and use of moveable property to nonresidents. The reduction for withholding tax on interest is anticipated to promote the inflow of foreign loans at a lower cost of borrowing.

BUSINESS TIMES (MALAYSIA) 1/11/94 P7

04Nov94 MALAYSIA: REVERSE INVESTMENTS UP 173PC TO RM3.5BN.

By Ahirudin Attan.

REVERSE investments shot up to RM3.5bn last year, a dramatic 173% over 1992, and are set to become a more significant phenomenon in the near future, Deputy Finance Minister Datuk Mustapa Mohamed told a conference in Singapore yesterday. Malaysian overseas investments increased moderately in 1981-1989 at an annual average of 6% to reach RM740m in 1989. These investments accelerated to RM1.4bn in 1990, moderated to RM1.1bn in 1991, and recovered to RM1.3bn in 1992. "Given the increasing number of Malaysians abroad, overseas investment will become a more significant phenomenon in the near future," Mustapa told a conference on Trends in Malaysia. His paper focused on The Past, Current and Future Trends in Malaysia. "Although such investments constitute capital outflows in the initial period, they would play a strategic role in enhancing international competitiveness and market strength for the local companies in the long run. "In future, such ventures would generate a stream of profits and dividends which would be remitted to the country," he said, adding that to further encourage reverse investments, the Government has removed the taxes levied on remittances to Malaysia earned from investment overseas in the 1995 Budget, which was tabled last Friday. Mustapa cited the country's growing reverse investments as one of the major current trends and factors which are shaping Malaysia's capability to sustain the above-8% growth it has been experiencing since 1988. Other key trends and factors include the country's full employment, low inflation, buoyant capital market and financing of investment, regional and sub-regional cooperation, and the downsizing of the public sector. The deputy minister said in terms of the downsizing of the public sector, the share of public expenditure in the GNP has been reduced progressively from the peak of 39% in 1982 to 28% last year. The trend, he added, will continue throughout the current Sixth Malaysia Plan. The tightening of the labour market has made industrial upgrading and deepening "inevitable". Mustapa said the Government is adopting a longer-term policy whichincludes the promotion of automation and labour-saving production techniques. On inflation, Mustapa explained Malaysia's target of achieving high growth with low or zero inflation. "Some quarters have expressed the fear that the recent Budget will be inflationary. I would only say that our record on inflation control speaks for itself. The reduction in import duties and the consequent increase in supplies as well as appropriate monetary and fiscal policies will contain inflation at low levels." Dismissing conventional economic wisdom of a tradeoff between economic growth and inflation, he cited the country's experience of negative inflation in the 1960s. "There was growth and (at the same time) there was negative inflation." Answering a question from the floor, Mustapa brushed aside doubts

on whether Malaysia could contain inflation at low levels on the back of strong economic momentum. He said Malaysia's record of sustaining growth above 8% for seven consecutive years while containing inflation below 4% "speaks for itself." The trend in the country's financial system, he said, is to look beyond the realms of the traditional banking system and towards the newly emerging capital markets and investments. New and more cost-effective mechanisms to raise funds will need to be developed. On regional and sub-regional cooperation, he said Malaysia wants to promote intra-regional trade through the East Asia Economic Caucus as well as the "growth triangles" with its neighbours. "The economic fundamentals are well in place for Malaysia to reach the next phase of development on the way towards achieving an industrialised nation status by the year 2020. "We are not discounting the fact that a lot of work needs to be done and that the challenges ahead will be very different from those of yesteryears and will serve to test our mettle and resolve. But I feel confident of our capability to reach our goals if we continue to have the necessary commitment and determination and put in the required amount of work."
BUSINESS TIMES (MALAYSIA) 4/11/94 P20

By Anna Taing.

OVERSEAS investments made by Malaysian businessmen for the period 1988 to September 1993 amounted to RM6.9bn, of which 23% were concentrated in the Asean region. International Trade and Industry Minister Datuk Seri Rafidah Aziz revealed these figures which were based on Bank Negara's estimation on a transaction basis in her speech read by her deputy, Mr Chua Jui Meng, at the launch of Bank Industri Malaysia Bhd's latest financing facilities in Kuala Lumpur yesterday. These figures compared with RM5.5bn invested overseas for the 12-year period 1980-1992. "While appropriate incentives have been made available to benefit Malaysian entrepreneurs investing overseas, the Government will also continue to ensure that a legal framework is in place to protect these investments by concluding investment guarantee agreements (IGAs) and double taxation agreements (DTAs) with third countries," Rafidah said. The minister urged the private sector to continue to look at the potential that exists within the Asean region and also the emerging markets. For example, the evolution of sub-regional cooperation in Asean as manifested in growth triangles, provides investment potential for the local private sector. The Malaysia External Trade Development Corp will spearhead efforts by the private sector in exploiting opportunities abroad. On its part, the private sector should form consortiums to minimise commercial and political risks, Rafidah said. The Government encourages overseas investments selectively to minimise the risk of unnecessary diversion of domestic capital, financial and human skills resources. According to the minister, this strategy must be viewed in the context of Malaysia's industrial progression into the realm of higher technology to maintain its competitive edge. On Bank Industri's latest financing facilities - the Overseas Investment Credit and the Overseas Investment Guarantee - Rafidah said these will become important instruments to encourage Malaysian companies to venture abroad.

BUSINESS TIMES (MALAYSIA) 22/6/94 P20

14Jun93 MALAYSIA: CONSORTIUM TO FUND SOUTH PROJECTS URGED

By Anna Taing.

A CONSORTIUM of local banks should be formed to fund viable projects undertaken by Malaysian businessmen in South countries, chairman of Malaysia South-South Corporation Tan Sri Azman Hashim said. This is because the business sector is currently facing difficulties in raising the needed funds to finance investments in these countries, he said in an interview with Business Times.

"The needed funds had to be raised outside of these countries, and local financial institutions in Malaysia would not normally accept the assets in these South countries as collateral," he said. Azman suggested that the Government initiate a dialogue with Malaysian banking institutions or the Association of Banks in Malaysia (ABM) to find ways to enable Malaysian entrepreneurs to gain access to credit facilities, such as through the proposed consortium of local banks. In addition, the local banking sector should also set up branches or establish correspondent banking relationships with banks in South countries, he said. "With a local branch office in these countries, financial transactions can be facilitated with less cost and time," he pointed out, adding that in this context, the Government should look into relaxing the various restrictions and regulations governing local banks. Masscorp is the investing arm of the Malaysia South-South Association (Massa). The association has almost 100 corporate and individual members. It was founded in early 1992 to demonstrate Malaysia's earnestness in promoting South-South co-operation mooted by Prime Minister Datuk Seri Dr Mahathir Mohamad. The consortium, comprising 46 shareholders, will enable the Malaysian business community to gain greater exposure in terms of trade and business expansion, especially to new markets such as in Latin America, Indo-china, Africa and West Asia. The shareholders include some of the largest Malaysian companies. Masscorp currently has investments in Chile and Vietnam. Azman said Masscorp's presence in these two countries to date represent only a small fraction of its planned investments abroad. "It is hoped that these initial investments will lead Masscorp on to other investments in these and other countries in the South," he said. In Vietnam, Masscorp has reached an agreement in principle with its joint venture partner to set up an export processing zone in Danang. The first phase of the EPZ project will involve an investment of $12m, involving 120ha of land. As it stands now, Masscorp's initial commitment in the project is $7.8m. It will hold a 35% equity in the project.

"Masscorp sees itself as a catalyst for Malaysian trade promotion and investments in South countries," Azman said. According to Azman, there is tremendous potential for trade and investment among South countries. At present, Malaysia's external trade with South countries accounts for only 8% of its total trade. "Trade and investment among South countries only came into focus in recent years... our trade statistics show that Malaysia's external trade is still skewed towards Japan, Singapore, the US and the European

Community. "Together, they account for 70.6% of Malaysia's external trade of RM195.8bn," he said. In view of this potential, Azman urged that the Government:

- *Set up joint* consultative bilateral councils with South countries to meet regularly to discuss issues of common interests;
- Sign double taxation agreements and investment guarantees between Malaysia and South countries;
- Allow Malaysian companies to offset losses incurred overseas against the taxable income of the companies in Malaysia;
- Review Bank Negara's present guidelines which stipulate that approval for overseas investment will only be given to Malaysian companies with no borrowings in Malaysia; and
- Establish embassies in priority countries such as Tunisia, Namibia, etc and allowing these countries to do the same in Malaysia to facilitate people contact and regular exchange of information.

In addition, it is suggested that to complement the Malaysian Technical Cooperation Programme, the Government establish a fund or grant to enable the private sector to finance planned exchange of study visits between Malaysia and South countries and undertake economic research, multi-disciplinary data collection and feasibility studies to identify investment and trade opportunities and market niches. In the context of the Asean Free Trade Area (Afta), Azman said Masscorp can set up strategic alliances with its partners in South countries to use Malaysia as the springboard into the region. He said Afta can attract greater inflow of foreign investments to the region to take advantage of the vast Asean market. Azman said the formation of Masscorp and the association stems from the realisation of the need to strive to enhance South-South trade and investment exchanges. This is to minimise the detrimental effects of the present trend towards unhealthy trade practices on their economies. "This trend and the possible failure of the Uruguay Round of multilateral trade negotiations are likely to result in protectionist policies, leading to restrictions in world trade, diversion of trade and the disruption of the free flow of capital," he said.

BUSINESS TIMES (MALAYSIA) 14/6/93 P1

01Jun95 TAIWAN: LOCAL BUSINESSES REDUCE RISKS BY SPREADING OUT OVERSEAS INVESTMENTS.

According to an Economics Ministry (MOEA) analysis which recently appeared in a local newspaper, last year saw a marked increase in overseas investments by Taiwanese companies in areas such as Southeast Asia and the Americas. An increasing number of local businesses are opting to invest in areas other than mainland China in an effort to reduce risks.

A report published earlier this week by the MOEA's Investment Commission showed that in 1994, the U.S., Hong Kong, Vietnam, Malaysia, and Singapore were the five most popular locations for overseas investments among Taiwanese firms.

The report also showed that overseas investments are no longer limited to wealthy financial groups. Expanding operations overseas is becoming an increasingly popular trend among Taiwan's medium and even small-sized businesses. Analysts have said that last year, overseas investment projects worth between US$1 and US$5 million numbered 136 - 20 more than in 1993. Projects valued at US$157 million were up 27 from the previous year. This is evidence of significant growth in small-scale investment projects, and of the trend towards internationalization among Taiwan's small and mid-sized enterprises.

In addition, the report revealed that investments of Taiwan's financial and service-related businesses accounted for a full 28% of the total last year. The most popular strategy among firms in these industries, indicated the report, was to establish an overseas holding company, and so-called "tax-free havens" were popular locations for such investments. Far Eastern Department Store, Chung Hwa Picture Tubes, Chia Hsin Cement, Bao-Chen Construction, Ruentex Construction & Development, Yageo Corporation, and Hualon Microelectronics, for example, all established holding companies in either the Virgin Islands or the Bermuda Islands last year.

The Investment Commission indicated that Hong Kong's transit port operations, developed communications network, and sound infrastructure make the area an ideal location for overseas investments. A base or purchasing center in Hong Kong, said Investment Commission officials, can serve as a springboard from which to expand operations in either mainland China or Southeast Asia.

TAIWAN BUSINESS NEWS 1/6/95