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LEAD US-Petronas

MAHATHIR DEFUSES CONTROVERSIAL US PROBE ON PETRONAS

By: Azman Ujang

KUALA LUMPUR, Nov 11 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad moved in today to defuse the controversy over an impending investigation by the United States on Petronas over a deal in Iran, saying the government will not stop US officials from coming to Malaysia to conduct the probe.

While the prime minister made the stand, his deputy Datuk Seri Anwar Ibrahim and Minister in the Prime Minister's Department Datuk Abang Abu Bakar Mustapha, at different occasions, both said today that the US had no right to question the national oil corporation on the deal.

And the Malaysian Youth Council (MYC), the umbrella organisation for hundreds of youth associations, staged a picket at the US embassy here to protest against the investigation which it said was an affront to Malaysia's sovereignty.

But an attempt by about 20 MYC members to hand over a protest note to the embassy fizzled out when they discovered that it was closed since today was a national holiday in the US in conjunction with Veterans' Day.

They were reacting to remarks by a US embassy spokesman here yesterday that an American official was due to arrive here on Nov 18 to probe into Petronas' involvement in a gas field project in Iran undertaken jointly with French and Russian companies.

Abang Abu Bakar, whose ministerial responsibility includes Petronas, took a tougher stand when he told reporters in Kuching that Malaysia would not permit any US official to investigate the oil company.

He said the US had no right to undertake any such investigation as Malaysia was free to have trade links with any nation.

" This is in line with the policy of the World Trade Organisation which permits all countries to have trade links with each other," said the minister who also described the US action as a bully tactic against small nations.

US under-secretary for trade Stuart Eizenstat was reported as saying in Rome last week that Petronas and four other companies ran the risk of sanctions if investigations found that any of their business dealings with Iran contravened the Iran Libya Sanctions Act.

The controversial Act requires US government to take action against any company that invests more than US\$20 million a year in Iran's oil and gas sector.

Petronas is involved in a consortium with France's Total SA and Gazprom of Russia in a US\$2 billion joint-venture deal with Iran to develop part of the giant South Pars gas field.

The other two companies mentioned by Eizenstat -- Canada's Bow Valley and Indonesia's Bakrie Group -- were involved in a separate Iranian joint venture.

Anwar, who spoke in Parliament, said the US had no right to question Petronas or other Malaysian companies' right to invest or do business with whichever country.

" It is illogical," said the deputy prime minister of the US law which was passed by Congress last year aimed against Iran and Libya, countries which it alleged supported international terrorism.

Dr Mahathir said that while the government would not stop US officials from probing Petronas, it wanted to know " what questions the US would ask Petronas".

" We will give reasonable answers," said the prime minister.

But he also said it would be unacceptable to Malaysia if the US wanted to stop only Petronas without stopping the French and the Russians who were also involved in the gas field deal with Iran.

" Just because we are weak, they just cannot do that (stop us) ... and (allow) strong countries to go on with the project," he said when launching Malaysia's national truck.

The US embassy spokesman had also said that the US official due here on Nov 18 would among other things, probe the sort of technology being transferred to Iran as the US was concerned over whether the technology transfer would enable Iran to produce weapons.

Later at another function, the prime minister also sounded conciliatory when he said that despite whatever had been said, relations between Malaysia and the US remained on very friendly terms.

The US is one of Malaysia's biggest foreign investors and also among the largest markets for Malaysian exports.

" We have tried our very best to be friendly with everybody," he said.

Meanwhile, the Cabinet is expected to discuss the US probe on Petronas at its weekly meeting tomorrow.-- BERNAMA

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