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No way to escape globalisation

THE call for caution made by Kontena Nasional Bhd against liberalising the country's haulier industry makes sense. It may be the leading container haulier in Malaysia, but Kotena Nasional is aware that it is but just a speck compared with the giants in the field of global players. If the Government were to allow foreign-owned haulier companies to operate freely in the name of liberalisation of trade as envisioned by the World Trade Organisation (WTO), even the strongest and the biggest of the domestic players may not survive the competition.

This is true not only in the case of the haulier industry. If Malaysia were to open up its other industries as well, the competition presented by the multinationals will be too intense for the locals to handle. This is one aspect of globalisation and liberalisation that the Government has said it is not very keen about. Hence, Prime Minister Datuk Seri Dr Mahathir Mohamad has called for regulations to guide liberalisation and globalisation so as to ensure that the process safeguards the interests of smaller and weaker nations, and their relatively small and weak companies. The pace of liberalisation is also important, so as to give developing countries sufficient time to consolidate their industries to face the competition from the more advanced nations. Malaysia, for instance, is busy with the mergers of its banks, finance companies, insurance firms, and stockbroking houses. Even then, we find huge multinationals merging with one another in the industrialised world to create entities with revenues which are more than some small countries' gross domestic product. Malaysian container hauliers must also strive to become bigger and better. The industry cannot escape from globalisation and liberalisation; it must take steps to strengthen itself to face the inevitable. It is quite odd that Kontena Nasional managing director and chief executive officer Elias Kadir, who made the call against opening the local market to foreign haulier companies, is also not too keen with the idea of local haulier companies merging. He thinks the industry is better off with the existing domestic players spread out as they are now, contending that merging will mean that the local industry would be "going backwards". He suggests, instead, that the number of local players be expanded to meet the industry's growing demand. There is a case for this as there are only five major haulier companies operating in the country, namely Kontena Nasional, MultiModal Freight, DiPerdana Bhd, Konsortium Logistik Bhd, and MISC Haulage.

The problem with a bigger number of players is that the companies could be relatively small, uneconomical and inefficient even compared with the regional players. As in the case of the telecommunications industry, Malaysia recently faced great difficulty in trying to reduce the number of players at a time when it needed to consolidate and streamline to become stronger. Everybody recognised the fact that the country was "over-banked" for some years before the regional crisis of 1997 and yet the efforts to encourage the financial institutions to merge had failed to bring the desired response; in the end the authorities had to make it mandatory for the banks to negotiate their mergers. It is an expected reaction from the owners and shareholders of these companies: everybody likes maintain control and is afraid of losing out even though mergers and acquisitions in the US and Europe have proved to be beneficial for all in the long run. Yes, the Government should exercise great caution in liberalising the

haulier industry but at the same time the haulier companies such as Kontena Nasional must not be idle but seek means to strengthen themselves. Consolidation is one option that they must consider and this includes tying up, in terms of equity and other strategic partnerships, with foreign companies to become stronger and more efficient. To insulate the industry altogether from a process as inevitable as globalisation is not possible, unless Malaysia decides to close its doors entirely to the rest of the world.

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