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PM warns of dangers of e-commerce

PRIME Minister Datuk Seri Dr Mahathir Mohamad warned that the new electronic age of e-commerce would be "very difficult and very dangerous" for all Governments.

"We are facing a very dangerous situation in which small countries find themselves completely marginalised," he said at the tail-end session of the two-day Langkawi International Dialogue which he moderated.

Dr Mahathir said Governments, in entering the information age, had been told not to regulate anything because "to regulate is wrong".

"Everything must be free and if we make everything free, we are supposed to benefit from it," he said.

"We are told that market forces will determine but market forces, like armed forces, like other forces, can be abused."

The market, he said, had shown its capacity to abuse, to be corrupted the same as other people with power.

Elaborating on the dangers to come, Dr Mahathir cited the examples of three electronic age-related occurrences:

- * powerful Microsoft Corp, the world's biggest software maker, which has a market capitalisation of US\$500 billion (RM1.9 trillion), with so much more capitalisation than most nations that it is ranked the 11th biggest country in the world;

- * the phenomenon that is Amazon.com, a web-based superstore which went from selling books over the Internet to CDs and gifts, starting the whole e-commerce culture; and,

- * the ability of money dealers to move trillions of dollars at the push of some computer buttons.

On Microsoft:

"No country at the LID could hope to have that kind of market capitalisation. (Laughing) My good friend Bill Gates (Microsoft chairman and chief executive officer who owns US\$100 billion in Microsoft stock) makes sure that everybody pays royalty to him.

"We think we should copy all his programmes (laugh) but then if we do that, very strong pressures would be applied on us. I thought that the solution to the problem (software piracy) was to make all programmes so cheap that nobody wanted to copy.

"But of course, then he (Gates) would not have US\$500 billion. And that is something that he will not part with. I don't know what people could do with US\$500 billion but I know what countries can do with it.

"He (Gates) spends a lot of money building his complicated electronic house (in Seattle, United States) but still, that does not make a dent in the money he has."

"I think it is sinful to have so much money," he said to all-round laughter. "Why not give some of that money to the poor?"

On Amazon.com:

"I'm sure you heard about this great company which sells books. Not much capital, no books at all, all it does is communicate and deliver books from the nearest bookstore to your house if you buy it from the Internet.

"Yet, Amazon.com has become so big in terms of market capitalisation that it is equal to a few of our nations.

"It means that doing business in the future is going to be different. Governments are going to find difficulty in deciding whom to tax. If a transaction is carried out on the Internet, where is it carried out?"

"For example, a computer made in Malaysia is sold to someone in Hong Kong over the Internet. The transaction is carried out between the buyer and seller and yet the computer does not move from Malaysia but from a computer store in Hong Kong.

"When that transaction is completed, somebody is bound to make money. Now who taxes? Is it the Hong Kong Government? Is it the Malaysian Government? Do we share in the taxes? These are things that are going to plague the Governments of the future."

On money transfers:

"Money is 20 times bigger than world trade. Money doesn't require ships to carry it around to be delivered to the buyer. All you need to do is push buttons on your computer and billions of dollars can cross any border around the world.

"And as it moves, it leaves behind a trail of destruction. That is what we have experienced in Malaysia. Actually, there was no money involved.

"We never had that amount of money anyway. The world does not have trillions and trillions of dollars whether in gold or paper.

"All that happens is that these great currency traders, the hedge funds, merely push buttons and money would cross borders in order to enrich some and impoverish a whole lot of people."

With these examples, Dr Mahathir warned that this was what would happen in the electronic age.

"We have hardly learnt how to manage the old economy from the old regime or old architecture if you like," he said, "but we are asked to discard it and go for e-government and e-commerce."

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