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Tapping US technology for extra mileage

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MALAYSIA'S motor vehicle industry may soon diversify its sources of expertise and technology to include the giant carmakers of the US. The local industry already has tie-ups with carmakers in Japan, Britain and France.

According to Prime Minister Datuk Seri Dr Mahathir Mohamad, talks are already under way with a few manufacturers from the US to obtain expertise and assistance for local carmakers.

"We already have cooperation from Mitsubishi of Japan and secured engineering capabilities from Lotus in Britain," he told Malaysian journalists in Japan on Tuesday.

The Prime Minister did not specify which American carmakers are involved but said that with the current trend towards consolidation of car manufacturers, there would be only five main producers - three in the US and one each in Europe and Japan.

Dr Mahathir said the automotive industry is getting more sophisticated with the use of microchips as components, and Malaysians will have to learn this new electronic technology in car-making to keep pace.

Malaysia already has indirect ties with General Motors Corp through a locally-incorporated truck-making venture with Japan's Isuzu Motors Corp, which is 37 per cent owned by the US car giant.

Perusahaan Otomobil Nasional (Proton) Bhd is partly owned by Japan's Mitsubishi, although it has produced one model (the Tiara) with Citroen of France. Perusahaan Otomobil Kedua (Perodua), meanwhile, is affiliated with Toyota unit Daihatsu Motor Co Ltd.

Malaysia also has a commercial vehicle venture with South Korea's Hyundai Motor Co and Renault SA of France, now affiliated with Nissan Motor Co Ltd. Another venture with Japan's Kawasaki Heavy Industries Ltd makes the national Kriss motorcycles.

It is interesting to note that American carmakers had previously expressed interest to expand their operations to South-East Asia, in particular Malaysia.

Before the onset of the regional economic crisis, Ford and General Motors were reportedly looking at Malaysia as a possible location to manufacture vehicle components for the world market.

One of the drawbacks at the time, however, was the 30 per cent limit on foreign equity ownership in joint ventures with Malaysian companies. The situation may be changing somewhat now, with greater liberalisation to attract more foreign investment to Malaysia and the region.

In August last year, General Motors once again said it was looking to invest in Malaysia and the region, in areas which synergised with its existing automotive business.

Its director of corporate affairs for Asia-Pacific, Mr David Jerome, at the time said General Motors was looking at all viable opportunities, including the possibility of taking up a stake in Proton.

As recent as last week, Ford group vice president for Asia-Pacific operations Henry Wallace was in Malaysia to review Ford's operations and the Malaysian market.

During his visit, Wallace met with representatives from Proton and toured the local carmaker's facilities. Ford country manager Richard Canny, when contacted, declined to say what was discussed between the two parties.

If strong collaboration between local carmakers and US giants such as Ford or General Motors does materialise, one clear benefit will be the added mileage Malaysia will get to increase its automotive and components exports, including to the US itself.

Such a relationship can also work the other way, with US carmakers gaining an advantage through Proton or Perodua to venture into the car markets of Islamic and developing countries.

In terms of expertise, areas where US carmakers may be expected to strengthen the local automotive industry include manufacturing processes, electronics features and security.

Just this week, for example, General Motors announced in the US that it is installing in its cars a security device similar to the "black box" in aircraft, to record data in cars.

At the very least, the move to approach US carmakers will increase the Malaysian automotive industry's competitive edge and reduce its reliance on any one foreign partner.

Diversifying the source of expertise and technology also means diversifying outgoing costs, particularly in foreign currencies. This will help insulate Malaysia's automotive industry from the adverse affects of currency volatility.

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