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Countering the oligopolies in the petroleum sector

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IT is understandable that Prime Minister Datuk Seri Dr Mahathir Mohamad should point out the fear of oligopolies during the recent Fifth Annual Asia Oil and Gas Conference.

He gave the example of the recent mega mergers of oil companies in the west involving BP and Amoco, Exxon and Mobil, and Total Fina and Elf.

Against these giants, the national oil companies in Asia (Petronas, for example) will be facing an uphill battle, especially in this highly competitive business. With globalisation inexorably and the new economy inexorably upon us, these NOCs will have little or no protection from their respective governments. The big question is, should we succumb to the onslaught or join in the game?

Believe it or not, the market structure is oligopolistic. The aerospace industry sector is a clear example of this type of market structure.

In the US, for example, the aerospace industry is consolidated into three large companies, namely, Boeing-McDonnell, Lockheed-Martin and Raytheon-Hughes.

A significant government involvement in purchasing and supporting the development of technologies for strategic military and economic reasons is undeniable in this sector, particularly in the area of defence technology.

Contrary to the general belief that New Economy markets work on their own, there is no doubt they need some form of government intervention.

This is where public policy can determine the kind or level of intervention that should be practised. It is not so much an issue of whether government will be involved, but rather what form that involvement should take.

It is not uncommon that even in purely private arrangements between private companies operating in today's global markets some forms of government intervention are in hand. This kind of overt or covert intervention by governments into the terms of what otherwise might be a purely private transaction can be made legitimate by a sound public policy.

Malaysia is taking the right direction in its public policy for various sectors of industry.

Take for example, the Blueprint for the Development of the Malaysian Aerospace Industry formulated by MIGHT. It shows the Government's commitment in pursuing a particular programme.

In fact, during the Workshop on Policy Issues in Aerospace Offsets luncheon address by US Senator Jeff Bingaman, the senator singled out our Prime Minister's initiative in using foreign business advisory groups to encourage greater investment in information technology in Malaysia.