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MAHATHIR-COMPONENTS

MAHATHIR TELLS NATIONAL CARMAKERS TO REDUCE COMPONENT IMPORTS

KUALA LUMPUR, June 14 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today urged the two national carmakers in the country to reduce their purchases of car components from abroad so that their products would be more competitive.

Perusahaan Otomobil Nasional Bhd (Proton) and Perusahaan Otomobil Kedua Sdn Bhd (Perodua) are the two national car producers.

"We need to do this because as long as we have to import, we cannot control our costs," he said at the launch of Perodua Kenari here.

Dr Mahathir said Proton and Perodua needed to reduce their purchases of imported components which were already costly and would even be costlier if the foreign currency concerned appreciated.

"We need to produce on our own by investing and learning how to produce them," he said.

Dr Mahathir said although the government had stipulated that all kinds of components can be produced in the country, the total number produced locally was still small.

He said the total number of components imported by Perodua was higher when compared with Proton because Perodua's sales were lower and this made local production of certain parts not so economical.

Dr Mahathir reminded the national carmakers that the implementation of the Asean Free Trade Area by 2003 or 2005 at the latest would bring about stiff competition among national cars and foreign makes.

Foreign cars produced in Asean countries would be regarded as Asean cars and will benefit from the lower tariffs then.

Dr Mahathir said no other Asean country produced their own national cars except Malaysia.

The prime minister said with the eventual reduction in tariffs, foreign competitors would have a cost advantage because they produced cars in larger volumes.

If producers of national cars did not become cost competitive prior to the implementation of AFTA, their businesses may decline and could be acquired by other major car companies, he said.

Dr Mahathir said Malaysia was lucky in that it started its automotive industry when it was most suitable in the early 1980s and 1990s.

"If we were to move in only now, we might fail totally because the automotive industry is now undergoing a merger and acquisition process so that the industry is controlled by the car majors," he said.

These car majors located in the United States, Japan and Europe produced millions of cars each year and this in turn made them rich and capable of undertaking research and development which cost a lot each year.

Dr Mahathir said developed nations were now raising their standards each year and if these standards were not met, producers from other countries would not be able to sell in those markets.

"With that, our business would be restricted and we become relatively small companies in that we are unable to compete. And we don't have a place in the industry at all," he said.

In view of that, producers of national cars might have to close shop if they were not careful.

Dr Mahathir said one way to avoid this would be to prevent the car majors from having a stake in the national car companies because that would mean ending the life of the national car.

"Although they have agreed that we will design our own car but over the long term we will be mere assemblers," he said.

"With this, we will not be able to learn and attain our engineering capability. We will also become a backward race."

The prime minister said the government planned to raise the number of car components that could be produced in this country and this would help small and medium scale enterprises in the process.

Besides having the ability to reduce the cost of the national cars, the plan would also increase bumiputera participation in SMEs, he said.

"I hope that those who work in the automotive and engineering industry will welcome and accept the move," Dr Mahathir said. -- BERNAMA

MAD/MFJ SHY