

18/10/2000

PM: Embracing k-economy will help country prosper

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SPEED and work efficiency through e-commerce and a knowledge-economy (k-economy) will help Malaysians and the country to prosper in the new millennium, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

The Prime Minister said one cannot ignore this radical turn in the way business is being done as it already provides massive returns to those advocating it.

However, he said while Malaysians should embrace e-commerce and a k-economy, they must not place too high expectations on this new business.

"There is a lot of money to be made from the right time of application of data and knowledge, the right software and the right ideas. Whether this is good or bad is difficult to determine now.

"We have not had enough experience of the real workings of e-commerce and the knowledge-economy," he said in his keynote address at a k-economy conference organised by the MCA English-speaking membership bureau in Petaling Jaya yesterday.

He said while it is entirely possible for e-companies to grow rapidly and to yield high returns for the innovators and entrepreneurs, they should be cautioned that there will be failures and that this should not deter the realists bent on exploiting new ways of doing business.

"We should all be enthusiastic about knowledge as the basis for doing business. But we should also remember that when new things replace the old, there will always be a cost.

"The ease of selling through cyberspace will probably increase the consumption of products but it will also destroy those who were in the business before the k-economy.

"Thus when dotcom businesses supply goods and services faster, more efficiently and at a lower cost, the old players will be put out of business."

He said when the dotcom companies supply directly to consumers, they and the delivering companies will make money and, on the other hand, the old importers, distributors and retailers will go out of business.

"Indeed, even the Government may lose out as the small quantities of goods delivered direct to consumers may attract no duty at all. And of course the Government will lose the corporate tax paid by local companies, including the transport companies," he said.

The Prime Minister said such businessmen saw dotcom and other Internet-based companies as money spinners and went into an investment frenzy, putting money in anything that is related to e-commerce.

"The enthusiasm about the k-economy is infectious. Many see unlimited growth and unprecedented new wealth being generated. They see dotcom and other Internet-based companies as money spinners.

"Unable to take advantage themselves of knowledge and the ease of communication that has presented itself, they go into an investment frenzy, putting money in anything at all that is distinctly related to e-commerce.

"The result is predictable. The shares of the dotcom companies skyrocket until they bear no relation whatsoever to the actual business being done.

Dotcom companies may be based on knowledge but they still have to deliver goods and services at prices which will give them a reasonable return," he said.

Dr Mahathir said that in the rush to take advantage of the new ways of exploiting data and knowledge and the economics of doing business, the cost and the returns appear to have been given too little attention.

"The bubble grew and grew and as expected it burst. A lot of people got hurt. A lot of money was lost. And suddenly dotcom companies became liabilities as their failure to make money became general knowledge," he said.

However, he said this did not mean that dotcom companies were incapable of making profits or of growing, he said.

Dr Mahathir said the most attractive thing about e-commerce was how easily one can become global and that borders did not restrict business the way they did the old businesses, and market penetration was much easier.

"Many who ventured into e-business were young people, graduates in their 20s and even university drop-outs.

"The knowledge economy is about information and knowledge leading to better products and services. Even growing sawi can be a k-economy activity if the sawi growers use the net to get information on how best to grow sawi or on how to link supply and demand more efficiently," he said.

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