

23 MAY 2000

MAHATHIR-PRIVATISE

PRIVATISED ENTITIES MUST BE SUPPORTED, SAYS DR MAHATHIR

KUALA LUMPUR, May 23 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad says privatised entities must be supported and even subsidised by the government not because the latter wants to help investors make profits but it does not want consumers to pay too much for the services they receive.

It has to be remembered that the government is still collecting various taxes from the people and they are therefore entitled to pay less than the actual cost of the services they receive, he said.

"Transferring assets which give no return to the government is still not a big sacrifice but it helps in reducing capital costs," he said at the opening of the Third Asia-Africa forum here today.

Dr Mahathir said that in the case of toll expressways, the government sold the completed portion at below cost so that the total cost of the expressway is lowered and that toll rates are low.

"Selling government assets at market price will render the services costly, making charges for public use high and...(the projects) probably end up in major losses and failure as usage will be low.

"Privatisation therefore will become unpopular and so will the government," he said.

Dr Mahathir said the results of Malaysia's privatisation were gratifying and that it did not involve selling government assets to foreigners in order to get foreign exchange to settle debts.

"We sell largely to Malaysians though we do allow for a certain percentage to be sold to foreign investors, especially strategic partners," he said.

"Not having too much foreign equity means less outflow of funds from the country," he said.

For the people, there is better service and better infrastructure. The good expressway system is an example of the kind of benefits the people get from our kind of privatisation, he said.

"However, limiting factors must be recognised in that if the private sector is not strong and not efficient, we may end up having to re-rationalise," he said.

"In some cases, it is better to invite strong and capable foreign participation in order to minimise failure (but) such a need should not involve outright sale because if you do this, the profits will just flow out," he said.

As for the information age, Dr Mahathir said that societies must be information rich and inventive in their application of information.

"While we welcome the opportunities for new businesses, we may also lose much because of some of them," he said.

Referring to Amazon.com, the founder of which is Time's Man of the Year, he said: "You can buy practically everything you want from Amazon.com and it would be delivered at your door step by international courier operators."

The price would be very low because the company orders in bulk and gets the best rates in delivery.

"Obviously, consumers everywhere will benefit, but the downside is that local importers, agents, distributors and retailers will be put out of business," he said.

The government would not earn taxes from these businesses or from

import duties and jobs would be lost by the minute.

The prime minister also said that producers of goods and suppliers of services would have to accept less and less profit.

For the production workers, there would be less pay and production would probably have to shift to low wage countries resulting in loss of jobs in high wage countries.

While the shares of manufacturing and service companies would depreciate, those of dotcom companies would appreciate a hundredfold, creating a sense of wealth (and) if the companies were to collapse, there would be no assets to be distributed.

The original founder may have taken his capital gains already and investors who had bought at high prices would find themselves left with useless virtual wealth.

"Information can enrich us, but without rules and laws, it can impoverish and destroy us," he said.

"So don't be too ready to accept everything done in the name of globalisation and the free flow of capital and goods that the information age is supposed to make inevitable."

Turning to Malaysia's experience with agriculture, he said it was no different from those of other countries.

"Today, we are using high technology to grow more food for our own consumption and for exports. We are more and more into aquaculture and breeding of selected animals and we are changing from monocrops to mixed farming and crop rotation.

"We now import almost US\$3 billion of food but we export US\$2.5 billion," Dr Mahathir said.

He said new strategies had been developed for agriculture and experience had shown that big modern estates did better than small farms run by individuals.

"We cannot close down or amalgamate the small farms but we can have a nucleus of big farms with small farms as satellites using the facilities of the big farms. Eventually, farms in Malaysia will be large efficient estates."

In preparation for this, Dr Mahathir said "our universities are offering courses in mixed-farm management. We hope to be able to deal with the success of our educational policies and migration from the farms to the towns."

He also said that the third National Agricultural Policy's targets were recently revised to ensure that the food sector's contribution to Gross Domestic Product increased from 3.0 percent or RM6.1 billion to 6.0 percent or RM12.5 billion.

"The new approaches will be centred on transforming the pre-production, production and post-production processes and would be consistent with our k-economy drive.

"What we have learnt which can be of relevance to African countries is the need to effectively balance between various factors, between industrial and food crops to ensure the long term sustainability of the sector, self-sufficiency and more importantly, to protect the interests of the people involved."

Dr Mahathir said Asia and Africa should now move forward to forge a smart partnership that would lead to a win-win situation and the forum should therefore look at ways and means to foster more trade of goods between them.

"We may need to introduce innovative approaches, dismantle existing barriers and enter into more bilateral payment arrangements.

"We also should also consider inter-regional trade arrangements, intensify trade promotional efforts use currencies other than the US dollar

to effect settlement and adopt counter trade," he said.--BERNAMA
DVS MR SHY