

30 MAY 2000

LEAD MAHATHIR-AFTA

RELOOK AFTA STRATEGY TO OPEN UP AUTOMOTIVE SECTOR, SAYS MAHATHIR

KUALA LUMPUR, May 30 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today called for a relook at the Asean Free Trade Area's (Afta) strategy, particularly in opening up the automotive industry as it is disadvantageous to local car manufacturers like Proton.

He said some countries, like Malaysia, were already having second thoughts about opening up their markets under Afta.

Asean countries had earlier this year decided to defer the transfer of CBU (completely built-up) and CKD (completely knocked-down) products of the automotive industry from the Temporary Exclusion List (TEL) to the inclusion list (IL) on Jan 1, 2005.

"We are saying, well, can we delay a little bit especially (in opening up) the auto industry because what we have seen are people moving into other Asean countries and setting up plants to produce cars and calling them products of these countries.

"And they have the privilege of exporting to other Asean countries by paying little tax and competing with car manufacturers like Proton," he said during a question-and-answer session with participants of the Europe-Asia Business Summit 2000.

As such, he said Proton was at a disadvantage because it was not just an assembler like other companies but rather, a producer of its own cars and therefore, had to buy technologies and a lot of components which made the national car manufacturer's costs higher.

"Compared with others, these people are just going to assemble cars that have been designed and tested in other countries.

"I think there is a solution to all this. We should sit down and see whether there can be some kind of division of labour in which some countries produce some things and other countries produce other things," he said.

Referring to foreign investors, Dr Mahathir expressed the confidence that Asean countries could find a way for them to invest in Malaysia in order to sell to other countries or to invest in other Asean countries to get into the Asean market.

On another question, he said local venture capitalists should be more "daring" in taking risks and investing in internet start-up companies that were in need of such funding to succeed.

He added the internet start-ups could not approach the "conservative" banks who were unwilling to provide the funds as these companies neither had proven-track records nor collaterals.

"We need to have people, bankers, venture capitalists who say `we are not going to ask you for your track record. I understand what you talking about and I want to make a bet'.

"If you can do that, then venture capital will succeed," Dr Mahathir said when commenting on the decline of funds that were made available for internet start-ups in this country.

The Prime Minister stressed the government could not do much other than to ask the banks or venture capitalists to commit more funds for such ventures.

"The government can do very little and we can't change your mindset. You must take the unnecessary risks and hope that one of the 10 will turn out to be a good bet," he added.

To do that, he said the local venture capitalist needed to have the

ability to evaluate ideas that could be a success.

According to him, venture capitalists in the US had been successful because they were willing to take the risk and accept the fact that of their many investments, only one could be a success.

"They may fail in nine other companies but one company succeeds. They will make so much that they will cover their losses," he said. -- BERNAMA

MOT LPS