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Proton's future: Pragmatic approach needed

By Dr. C.K.John

ON April 27, the Minister of International Trade and Industry, Datuk Seri Rafidah Aziz, said Proton Holdings Bhd had been slowing down the search for a strategic partner for its survival. She also said, "Proton need not have a majority stake in the partnership. We have lost a lot of time with Proton not being at all responsive to get foreign partners in the past, even though the Cabinet had decided some years back that Proton should seriously look at this."

Three days later, Tun Dr Mahathir Mohamad said, "Proton should not be rushed into signing on a strategic partner". His arguments were that Proton had been given opportunities to produce cars in several countries and it was one of the most successful government-owned companies.

Let me now come to the Proton story. In the early 80s, two models evolved for a Malaysian car industry. The first was that Malaysia should open the doors to foreigners with a "whosoever-maycome" policy, allowing them to develop a car industry.

It was anticipated that in 20 years or so, a developed car industry would be in place, to the extent that Malaysia would be a world-class manufacturing hub. It was also envisaged that under this model Malaysia shouldn't aim at a car of its own.

The second model was that Malaysia should do all it could to develop a Malaysian car, if necessary with the help of others for technological and financial back-up. To achieve this objective the car industry had to be protected by the Government at least for 20 years and, if necessary, longer.

The Government adopted the second model.

At the same time Thailand adopted the first model, resulting in an industry that is highly successful. Thailand is now considered a major challenge to Malaysia.

The only way to keep Proton a successful manufacturer is to bring in a suitable foreign partner, even if Proton has to accept a minority equity holding in the partnership, as Rafidah has said. And it has to be done pretty fast. As Rafidah said, "It is better to have a smaller equity holding in a large market than a 100 per cent stake in a market that is hardly moving, in fact, shrinking".

As Malaysians we should understand the strong feelings Dr Mahathir has for Proton, but we should look at the issue pragmatically.

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