

01/05/2004

Stirring debate over Proton's future

By Zulkifli Othman

PROTON Holdings Bhd adviser Tun Dr Mahathir Mohamad says Proton should not get into any hasty alliance with a foreign partner, just because everyone says so.

Proton should not be rushed, he said.

While not denying the need of a strategic partner to survive in the competitive automotive business, Dr Mahathir cautioned against grabbing the first one that comes along.

What a strategic partner can bring to Proton is more important.

The thunder and lightning that came as the heavens opened up in Putrajaya on Thursday, when Dr Mahathir said this, could not have made his statement any more dramatic.

Dr Mahathir, who can lay claim to founding Proton in 1983, was appointed adviser even as Proton was examining options to make it more competitive and restructuring to make alliances with other companies easier.

He pointed out that Proton was a viable company that did not need to be propped up financially by the Government.

"It is a baby that has weaned itself off government support," he said.

Dr Mahathir staked his reputation on the viability of Proton because the alternative is having no national car company.

"We have to think; if we become pure consumers of foreign cars, do we gain or do we lose. We probably would have to stop the work of so many people employed by Proton.

"When we buy foreign cars, we don't generate domestic wealth."

International Trade and Industry Minister Datuk Seri Rafidah Aziz had said that Proton was too fussy and in danger of being left on the shelf when the rest of the world's carmakers were facing the fact that it's either

gang up and pool resources or die.

Rafidah told Business Times last week that there was no way out of having strategic alliances and that a foreign partner should be a major player who has access to the latest technology and can provide significant market access for the national carmaker to expand.

Everyone in Malaysia has an opinion about Proton, and we are entitled to one. The carmaker has been a Malaysian institution long enough and in one form or another, it has been supported by Malaysians for 21 years.

The prospect of liberalisation in the car sector looms large under the rules of the Asean Free Trade Area, the Asia Pacific Economic Cooperation and the World Trade Organisation, but the way these rules are worded, things could remain the same for Proton for another 20 years.

However, one gets the feeling now that there seems to be an added urgency by Khazanah Nasional Bhd, the Government's investment arm which incidentally had accumulated controlling shareholding, to get Proton hitched off and fend for itself.

One reason for this may be because the Government is negotiating a free trade agreement (FTA) with the US.

Rafidah will be signing a Trade and Investment Framework Agreement (Tifa), a precursor to a possible FTA, on May 10.

The US is incidentally where Ford, Chrysler and General Motors live, and in any trade negotiations with the US the car industry will surely be a big bargaining chip.

This is especially so when US carmakers fret about how hard it is to get into the lucrative Malaysian car market.

The Malaysian market for passenger cars makes up half of the whole of South-East Asia.

So, it does not take rocket science to see where this is going: Proton is expected to take on a partner, and the sooner the better, and Proton's present board may not have much to say about this. Circumstances will carry it through.

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