

Rethinking of all old policies to continue

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In a wide-ranging interview with **Business Times**, a summary of which was highlighted in articles published earlier this week, Prime Minister Datuk Seri Dr Mahathir casts light on some of the key policy decisions he has announced recently. He elaborates, for instance, on what he means by "a Malaysian car" and why Malaysia needs a larger population. His concepts are

bold, even to the extent of arousing scepticism, but there is a pragmatism to the boldness because his vision is one of Malaysia of the future — the achievement of which requires a fresh approach. As he tells Associate Editor **A. KADIR JASIN** who took the interview, "We are rethinking many things... this process of rethinking all the old policies would be continued."

MALAYSIAN CAR

QUESTION: What exactly is a Malaysian car?

ANSWER: A Malaysian car by definition is a car designed and produced by us. That will be a full-fledged Malaysian car. But before we can reach that stage we have to go through many preliminary ones. This gradualism was necessary in many countries, including Japan, which started off by producing foreign cars under licence.

In our case it will not be possible to start by just obtaining a licence because we don't have the capacity and technology to design and build a car. So it is necessary that we cooperate with people who can.

The first Malaysian car will be of a Malaysian design and include important components which will

make it distinctively Malaysian in appearance. But as time goes on, local components will of course be increased so that one day we will produce a totally Malaysian car. But that is a long way off.

Q: You said that important components that will give the car a Malaysian look will be Malaysian-made. Do I take it to mean that the body will be made in Malaysia?

A: The appearance of the car, that is its design, will be Malaysian, and it will be exclusive to the Malaysian car. It will not be just a reproduction of some other car. In that sense it will be uniquely Malaysian.

Q: So you must have a team of designers working on the car now?

A: Designing a car is a very complex process and is normally a very secretive part of the production of a car. Most companies do not allow outsiders to see how a car is being designed, and how it will eventually be produced.

But we are fortunate; our association with our Japanese partner has enabled us to gain access to their designing department. We have involved the few people that we have in this design work on the car. Our people are helping in the designing. Our involvement may not be 100 per cent because, as we have to admit, we still do not have experience of designing a car.

Q: So it is not designed in Malaysia?

A: It is not designed in Malaysia but Malaysians are involved in the designing.

Q: The announcement by Datuk Musa Hitam of the project came as a surprise. The impression we get is that the designing aspect of the car has reached an advance stage. Have we come to that stage?

A: We have already gone to a fairly advanced stage in designing. We don't have to build a plant to do this. We are using the facilities of our prospective partner. That part of the work is fairly well advanced. The factory that we will be setting up will be involved only in production of the car.

Q: You are referring to a Japanese partner. Is the identity of the Japanese company still a secret because there are reports that it is Mitsubishi?

A: People can say what they like but I am not in a position to reveal the name of the company officially because it is not right to do so before we conclude our agreement.

Q: Unofficially, it is Mitsubishi?

A: I am not saying anything.

Q: Without a clear explanation, particularly from you, a lot of people are somewhat sceptical about the viability of building our own car given the size of the domestic market and the stage of our technology. Is it economically viable to build our own car?

A: No, it is not economically viable if we are looking for a cheaper domestic car or one which is comparable in price to imports. But let us look at the history of car making. As time goes on, the economies of scale demands greater and greater volume. Now we buy between 80,000 and 90,000 cars a year. If we imported that many cars in 1980, it would have been economical to build a plant of our own, because at that point of time, economies of scale required that kind of volume. By 1982, 80,000 units are not adequate enough. Now we may need to produce say at least 200,000 to 250,000 to achieve the economies of scale. By 1995 or 2000 we may be buying 200,000 to 250,000 cars a year but the economies of scale then would require a much larger volume.

So you can see that we are chasing this volume and we will never catch up. We will never get to the stage where the volume is sufficiently big to justify the setting up of a motor car industry, which means of

A: We have some ideas but I cannot publicly say how many years. But the so-called completely Malaysian car will not be completely Malaysian because most cars built in this world contain foreign parts.

Q: Are you thinking solely of the Malaysian market and not the regional market as well?

A: Of course we would like to have a regional market but you know everybody wants to produce his own car. So it will not be possible for us to establish a regional market for a period of time. But we would be ready to work with other countries so that the benefit of manufacturing will not accrue only to us.

Q: There are several Japanese companies which produce their products almost exclusively in Malaysia and ship them back to Japan. Since the motor car project is being undertaken with a Japanese partner, are you not thinking of finding a token market for Malaysian cars in Japan?

A: Well, that is what we like to think. But Japan as you know, produces its own cars very cheaply. It is unlikely that what we produce here will be cheap enough to be re-imported into Japan.

Q: When Taiwan first produced its own steel, domestic consumers were sceptical of its quality until some was exported to the US. By exporting a token number of Malaysian-made cars, we may achieve the same impact.

A: There should be no worry about the quality of locally-produced cars because we are going to do it up to the standard that is acceptable to the Japanese partners. As you know, Japanese manufacturers are very meticulous and they stick to very stringent standards. It is not going to be a car that is built in a slipshod way. We will not tolerate the production of a car which is not up to the standard.

Q: In deciding this, have you taken into account that many other countries have run into difficulties in building their own cars. They either produced cars which were so expensive that nobody could afford them or were poor quality products. Some suffered high financial loss.

A: We have studied the whole market. We have studied the experience of other countries. And, mind you, the Japanese partners will take 30 per cent of the equity. It would appear that they have faith in the project.

Q: Have we abandoned the Asean car project?

A: No, we are still open to the proposal. In fact, we feel that there is still a possibility of complementation here as we are not expecting to produce all the parts for the Malaysian car. If possible, we would like to work with our Asean partners.

course that if we are going to follow that argument, we will never have a motor car industry in the country ever.

The next question to ask is whether a motor car industry is necessary for this country? Well, we consider the capacity to produce vehicles a necessary component of our industrialisation programme. If it is a necessary component, then we must have it. It does not matter when. If we wait until 1995, we still would not have the advantage of economies of scale. There is a cost here that we have to bear because we want to go into the motor car industry not so much because of the car but of the technology. The industry gives rise to a lot of spin-off effects, experience and knowledge for our people. Because of that we have to be prepared to bear the cost and according to our calculation, the cost at this moment, considering the volume that we will produce, is something that the country can bear. It is not too great a cost and that is why we have decided that we will go in now. The sooner we go in, the sooner we will get acquainted with technology and the sooner the spin-off effects will benefit us.

Q: So we do not really expect the motor car industry to bring in profit?

A: It will bring in profit to the particular industry but the nation has a cost to pay in the sense that cars already have to bear a 15 per cent import duty on CKDs. That is the beginning of the cost. It may not go very much higher but the one fact that has to be remembered is that motor cars in Malaysia are still the cheapest in the region simply because our rate of taxation is low. (Even with domestic car industry) the price of motor cars will still be cheap relative to other countries but will not be cheap relative to the past.

Q: What sort of numbers are we talking about?

A: In terms of volume, we may need to have about 80,000 cars to make it worthwhile for this kind of investment. But that is not going to be achieved in the first year of production. We may need a few years to achieve that target. All these aspects have to be looked at carefully and our studies show it is feasible.

Q: Will this mean that we will greatly reduce the volume of imports?

A: The national car will have to compete in the marketplace with imported cars. Naturally the government would like to make the national car a success. So if the volume in 1986 is 100,000 or 120,000 units, it means that a high proportion of that volume will be taken up by the national car. At the very least, market growth of other cars will be retarded or at the worst, some of the imported makes will not find a market here.

Q: Assuming the volume of 80,000 units, can we build a complete car in Malaysia?

A: We can eventually. Initially we will probably buy the whole engine and transmission. In the next stage, we would probably bring in the engine parts and assemble them here, later we will produce some of the components and finally the entire engine. Whether we do this slowly or rapidly depends on us.

Q: Have you given thought to the number of years you want to take to eventually build a complete Malaysian car?

SOGO SHOSHAS

Q: What has happened to the "sogo shosha" companies formed so far?

A: The companies have been formed but actual trading has not begun partly because there are differences of opinion as to how the sogo shoshas should operate.

Recently I called the companies involved in the sogo shoshas and had a discussion with them, and we formulated a guideline that seems to me to be acceptable to all of them. I expect them to begin trading very soon.

Q: Basically, what are these guidelines?

A: Initially, it was thought that participating companies would turn over their own trading to the sogo shoshas. But as the participating companies have different volumes and values, it is not possible for them to hold equal shares in the sogo shosha company and at the same time inject different volumes of business into it. This means they are going to lose by giving up their own business to the sogo shosha. Obviously it is not a line which is acceptable.

What we have decided upon is that possibly any growth of business can be taken up by the sogo shoshas. They will also identify new areas of trade, and there are many such areas of trade which they should go into.

Q: But does that conform with your original view of sogo shoshas?

A: The problem is people want to begin too big. This is not possible. These companies (participating in sogo shoshas) have offices abroad, and what they should do is to help sogo shoshas obtain business. As you know, the growth of Malaysia's trade is among the fastest in the world, and there is no reason sogo shoshas should not take advantage of this. At the same time, we feel that there are certain areas of trade which are not being attended to by Malaysian companies. A large volume of Malaysia's trade goes through foreign ports and is handled by foreign companies. If sogo shoshas were to pay more attention to this area of trade, the business could be theirs. Singapore and to some extent Hong Kong handle a substantial volume of Malaysian exports and imports.

Q: Perhaps when people talk of sogo shoshas, they talk in terms of Japanese sogo shoshas which are huge.

A: That is true but one should look at the history of these general trading companies. They were initially founded because of the need to import raw materials and distribute them to small manufacturers. But over the years the sogo shoshas have branched out into investment, banking and other business activities. So you can't achieve what the Japanese achieved in 100 years overnight in Malaysia.

Q: Quite apart from traditional commodities, what other items do you think can be handled by the sogo shoshas?

A: We have a lot of manufacturers in Malaysia, some of them are foreign. Let us take micro-chips as an example as they are being produced in large quantity here. There is no reason why sogo shoshas should not trade in these items if they can find the market.

Q: How many sogo shoshas have been set up so far?

A: We had wanted five but I think only four have so far been incorporated.

PNB

Q: Are you in favour of PNB listing some of its companies on the KLSE to determine their market value?

A: Let us say that I am not against it. But this has to be studied to assess both advantages and disadvantages.

Q: Are you also in favour of selling certain trust companies to Bumiputra individuals as some of these companies cannot be transferred to PNB because of its rigid criteria?

A: We will certainly not offer companies already acquired by PNB to Bumiputra individuals. There may be some companies which we feel have potential and we will keep them until they yield the kind of return that we expect before PNB can take over. But there may be some smaller companies which can be sold to Bumiputras. Some Bumiputras of course want corporate vehicles so to speak. But they must bear in mind that unless they know how to handle the idea well, they may end up burning their fingers. I would advise them that if they want to make use of these companies as vehicles, they must have sufficient backing.

Q: What about the smaller companies which PNB may not be interested in taking over?

A: Yes, if there are Bumiputra takers who are willing to buy these companies. But we may have to close down some of these companies if there are no takers. We have already advised MARA, for instance, to sell off a number of companies to Bumiputras. But we will sell them only to Bumiputras who have capital. We don't want to sell to Bumiputras who would again sell these companies to someone else.

Q: Are we entering the second phase of import substitution through the implementation of Hicom projects, including the Malaysian car?

A: The idea is not so much to effect import substitution. The idea behind Hicom is there are certain industries which are too big for the private sector to go into yet. They are essential to our industrialisation programme. There are still areas where import substitution can be worthwhile, but the kind of protection that we can give now will be very limited because we do not believe that consumers should be taxed in order to support industries which can never be competi-

A: We are not going to ask people to have ten children but if they are going to have more children they can do so. Of course, the larger population has to grow hand in hand with new work ethics.

Q: But for this kind of thing to happen there has to be some sort of explicit policy on the part of the government — a policy towards faster population growth — because the people in general seem to think that we have to maintain low population growth.

A: I don't think the people are thinking of lower

population growth, but rather that they are not prepared to have many children. I found as a private practitioner that couples were reluctant to have children again after having practised family planning for some time.

Q: In such a situation it is even more necessary for the government to come out with a policy stating that if you want to have a larger family it is all right.

A: Yes, we think it is all right and that is why we are saying we need a larger population of 70 million. But we have to be very careful because a large population will be beneficial only if we have good work ethics.

Q: Will agencies like the Family Planning Board be adjusting their activities?

A: Even now the Family Planning Board and associations are concentrating on training people in other areas rather than just birth control. Family planning does not just mean a reduction of the number of children. It also means spacing out. If people want to have five children, they can have five. We are not stopping them but they should not have one every year.

Q: We still have a high rate of poverty. Is it timely for us to think of increasing our population?

A: Nobody can get rid of poverty totally. Even in the best developed countries, there is still a very high degree of poverty. They have mass poverty as reflected in the dole system (unemployment benefits) — that represents poverty in America. At the moment, relatively speaking, we have a lower poverty rate as opposed to America from the viewpoint of unemployment. If there is unemployment in Malaysia, it is because of bad work ethics. There are enough jobs in Malaysia to support the population comfortably. If the people work hard and are productive, their wages will go up. And in time, there will be less and less poverty. Poverty is also a result of doing the wrong job. Absolute poverty does not exist in Malaysia partly because we have the extended family system.

Q: Are you suggesting that padi growing constitutes a wrong job as it is acknowledged that it is not very profitable?

tive. Our emphasis now is to encourage export. Industries specialising in import substitution are incapable of penetrating export markets because they are so dependent on protection.

Q: You acknowledged in your 1982 New Year message that economic growth contributed significantly to political stability. But forecasts indicate that prospects for commodities will not be very bright during the 80s. What is your view on this?

A: No, I don't think it is going to be like this for the whole of the 1980s. We feel that there will be recovery soon simply because the world cannot bear a prolonged recession. This prolonged recession, as I said in my recent speech at the UN, is man-made and can be unmade. All that is needed really is the decision to reverse policies which are detrimental to economic growth like high interest rates and protectionism.

POPULATION

Q: In your address to the Umno general assembly in September, you said Malaysia could support a population of up to 70 million. Was that merely a hypothetical statement or are you really serious about Malaysia having a larger population?

A: We must have a sufficiently large domestic base if we are going to industrialise. Unlike the agriculturally-based economy where the smaller the population the better it is, an industrially strong nation is very difficult to build without a sufficiently large domestic market. Even for Japan, most of the cars that its produces are sold domestically. A big population is not harmful if the people are productive.

The key word here is really "productivity". Seventy million people working very hard and producing a lot of goods could easily live in Malaysia. We think we can even produce sufficient food. I think a big population for Malaysia is important, particularly in a world that is becoming more and more protectionist.

Q: So is there a reversal in policy from low population growth to high population growth?

A: Since the last year or so we have re-examined practically every policy that we have, some of which are old and are being pursued automatically without considering whether they are relevant to the present time or not. It is as a result of this study that we decided that the restriction on population growth may not be as beneficial as it is made out to be. In terms of the total world population, any increase of a part would contribute to the whole. But there are obviously certain countries which can support a bigger population while other countries should stop increasing theirs. Certainly China and India should not increase their population. But there is no reason why what is not good for China and India is necessary bad for us too. This is part of the rethinking that we are doing not only on population but also on other aspects of the economy. We are rethinking many things. For instance, the taxation that we imposed or removed recently is the result of the rethinking. This process of rethinking all the old policies would be continued.

Q: Are you adopting a new population policy or are you merely saying that if Malaysians do not want to plan their families, it is ok with you?

A: It is a wrong job because it is done wrongly. Padi growing can be lucrative if it is done in the right way. If we mechanise and grow the crop on a large scale, the excess labour can be moved to other areas where they can be more productive.

Q: That is very attractive but can we achieve it?

A: We are jolly well going to try. Already, there are signs that there are not enough people in villages to do padi planting. Whether they like it or not, they may have to resort to collective farming using a high degree of mechanisation. As time goes by, we are not going to have very many young people left in the kam-pungs.

Q: Several major Malaysian companies are already investing abroad. Lately you have been encouraging more Malaysian investments in certain developing countries. As we ourselves are in need of capital, don't you see a conflict in this?

A: Malaysian companies that have gone abroad have done so without taking their capital with them. They are not allowed to do so. But in the interest of developing closer relationships with some of the smaller and less developed countries, it may be necessary for us to allow a certain amount of capital to be exported to these countries only. The amount of capital would be very small, especially in comparison to the goodwill that it will generate. Malaysia, I think, is quite famous for asking everybody to give to Malaysia but for giving nothing back. For example, we have students from Malaysia studying in Indonesia, in Bangladesh, in the Philippines and Thailand but none of these foreigners are studying in Malaysia. In other words, we want places to study in Pakistan, in countries whose per capita is much lower than ours. But when you mention about bringing foreign students into this country we say no, we don't have enough places for ourselves. It is time that we think that if we want people to help us, we must be prepared at times to help others too.

Q: Do you mean to say that you are going to reserve places in our universities and institutions for foreign students?

A: If we get places in America, we need not give places to American students. But there is no reason why we cannot give places to, say, students from Fiji or Papua New Guinea.

Q: Are we offering them now?

A: Yes, we are.

Q: Will that come with scholarships?

A: To the extent we can afford, the answer is yes. Otherwise, we will give only places.