

Look ahead, Malaysians told

ST - 6 SEP 1988
By K.H. LIM

KUALA LUMPUR, Mon. — Malaysians should forget about the problems of the mid-1980s and instead look forward to the 21st century, Prime Minister Datuk Seri Dr. Mahathir Mohamad said today.

Becoming an industrialised nation in the coming century is no longer a pipe-dream, he said.

It could be a reality and had to be — if Malaysians wanted a better life — but it could be achieved only if the nation moved into more sophisticated areas of industry.

Speaking at the annual dinner of the Association of Financial Institutions here, Dr Mahathir said there was a limit to the production of primary commodities as these could grow "by so much and no more".

"But there is no limit to what we can manufacture. As expectations rise, we will have to move into more sophisticated and more value-added products in order to earn more.

"Skills and technology can be acquired if we really want to. The limiting factor is our will to work hard and compete."

Malaysia, he said, with its small labour force and the present level of research and development, could not compete with Japan, Korea and Taiwan in the high end of technology and engineering.

Therefore, it would have to be a niche player, concentrating on the high value-added products that could be competitively made using local natural resources and comparative advantages.

Dr Mahathir said the trends to the year 2000 were already apparent, one of them being the fact that consumers would like greater choice for the same products, including "choice of colour, size and shape.

With the right incentives and encouragement, he was confident that Malaysian entrepreneurs could find the right products to fill the right market niche.

The Prime Minister also described another future scenario, with growing service-oriented markets for travel, food and beverage, medical and health care and personal services.

He said tourism would be a major force as world travel, estimated to grow annually by 3.5 per cent to 1995, would account for at least 15 per cent of world trade by the mid-1990s.

Comparing revenue from tourism, he said Thailand earned \$4.8 billion from 3.4 million visitors while Malaysia earned only \$1.8 billion from 3.3 million tourist arrivals.

Reflecting on the past, Dr Mahathir said the Government had to take "politically unpopular" steps during the recession of 1985-1986 to put the economy back on a firm and competitive footing.

The steps included:

- slashing many subsidy programmes which

— Prudence — shouldn't be a failing, says PM

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began in the 1970s;

- reducing growth in civil service expenditures; and,

- managing a fiscal adjustment programme that cut the deficit by more than eight per cent of the Gross National Product (GNP) in three years, "an achievement unprecedented in the developing and developed world".

However, Dr Mahathir said, banks had to play their role in furthering the turnaround.

Banks should now be more "proactive", becoming more involved in the business of their clients by providing financial and managerial expertise and evolving mechanisms to assist them in times of difficulties.

While banks should retain prudence in their dealings, "such prudence should not be exercised to the exclusion of everything else" and in this context, they should accept and share some of the risks in business.

Financial services thus should be fostered to meet new demands through new products as well as support the direction industrialists needed to take in search of new markets, necessitated by increasing protectionism in the international arena.

"With resources of over \$200 billion available in the financial system, three times the country's GNP, there is tremendous scope for bankers and financiers to channel these resources into worthwhile productive investments."