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Mahathir-Formula

ECONOMIC REFORMS PROVED 'WINNING FORMULA' FOR MALAYSIA

By: Syed Jamil Jaafar

NEW YORK, Sept 26 (Bernama) -- Malaysia has set in place a series of economic reforms and strategies which have proved to be a "winning formula" to achieve its target of becoming a developed nation by 2020, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

He said the formula so far had given the country over the last eight years an average growth rate of 8.9 per cent with inflation kept in check at 3.5 per cent.

The country only needs to grow at an average of seven per cent over the years 1991 to 2020 to double the national income every 10 years and achieve developed nation status.

In his address to the Asia Society at a dinner here on Wednesday, Dr Mahathir explained the formula at length.

First, he said, it is not the business of government to be in business and, as such, a fundamental strategic shift was made in the early Eighties to ensure that the private sector would be the primary engine of growth.

The government then started to downsize the civil service, which was huge in relation to the rest of economy, and efforts would be continued to modernise and upgrade the administrative machinery.

Two other measures taken were de-regulation and privatisation.

"We went at the red tape with a powerful pair of scissors," said Dr Mahathir.

The privatisation programme, meanwhile, has been successful with workers now being its greatest supporters as they realise that privatisation meant better pay, ownership of shares and, frequently, bonuses.

Another key element of the winning formula is that the government from the very beginning had set its heart on industrialisation.

In 1980, manufactured goods accounted for 21.5 per cent of the country's exports. In 1995, it accounted for 79.5 per cent and this year 83 per cent of the country's exports will consist of manufactured goods.

Dr Mahathir said the sixth element of the winning formula is the horizontal and vertical expansion of small and medium-scale industries which play an important role in supporting the major industries and reducing dependence on imports.

He said Malaysia would continue to rely on export-led growth as the country's market is too small.

"The whole world must be our marketplace," he said, pointing out that Malaysian companies must be tough to face global competition.

The Prime Minister said central to Malaysia's winning formula is the further liberalisation of the Malaysian market.

"We have always had goods from all over the world in our market. Long before the idea of WTO (World Trade Organisation) we had already reduced or even abolished certain import duties.

"We know that we are going to meet with less than liberal attitudes towards our exports...but we will fight tooth and nail to be competitive and to overcome restrictive and managed trade."

Dr Mahathir said Malaysia has always stressed the importance of foreign direct investment and has no qualms about it.

However, it also does not neglect domestic investment, which in fact in the last few years often surpassed the growth in foreign investment.

The Prime Minister said another important component of the winning

formula is a determined emphasis on industrial technology development and the establishment of a society that is fascinated with engineering and technology.

Dr Mahathir said Malaysia also has a phobia about inflation and is determined to keep it low.

He said the country is just as concerned about the environment and would not allow the destruction of the environment for the sake of short-term benefit.

"However, we will not impoverish ourselves by denying us our own potential. The greatest cause of pollution is poverty," he said, adding that Malaysia would develop while striking a balance between the preservation of the environment and the needs of its people. -- BERNAMA

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