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ASEAN - WEST ASIAN INVESTMENT  
CONFERENCE

Speech by the Deputy Prime Minister, Dato' Seri Dr. Mahathir bin Mohamad, at the Official Inauguration of the ASEAN - WEST ASIAN Investment Conference on 9th March, 1978 at the Nirwana Ballroom, Kuala Lumpur Hilton, at 9.00 a.m. (The speech will be delivered by Encik Abd. Manan Osman, Deputy Minister of Trade and Industry)

It gives me great pleasure today to stand before this gathering that brings together the two great Regions of Asia namely West Asia and East Asia. This meeting has been called to discuss the possibilities and opportunities for investments within the ASEAN region in cooperation not only with our friends from West Asia but those further west of West Asia and also relative to ASEAN, with our friends who reside further east off East Asia i.e. the United States of America.

I wish to congratulate the organizers of this Seminar, namely the Business Times of Malaysia and the Bank Pembangunan Malaysia for bringing together such a diverse group of businessmen, financiers and industrialists, all of whom have the common aim of investigating new avenues for economic cooperation in this region.

What we are trying to do today is to set up a framework for a 'triangle of growth'. The three bases of this 'growth triangle' are ASEAN, West Asia and the developed nations of the world.

I am sure all of you present here today are familiar with the first base of this 'triangle of growth' i.e. ASEAN, The Association of South East Asian Nations, that comprises Thailand, Indonesia, Philippines, Singapore and Malaysia. The ASEAN grouping, though it has become well-known for its economic aspirations, is in reality a grouping of countries that are seeking to cooperate in all fields of international endeavour, be it in communication, shipping, culture or economic development. The fact that the question of economic cooperation has moved to the fore-front and is in fact the underlying theme of the forum today, highlights the importance that both the ASEAN Governments and their business communities have placed on the question of economic development.

In terms of natural resources, it will not be an over exaggeration to say that the ASEAN countries have available within themselves virtually every raw material that is required by the modern world. Even then we are still scratching the surface, because much of the resources of ASEAN are yet to be explored, let alone exploited. I am sure that during the course of this Conference the ASEAN speakers will give you sufficient facts and figures to back up

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this seemingly hyperbolic statement I have just made. ASEAN also possesses abundant, educated and skilled manpower which can be utilized to transform these natural resources into goods and services for the benefit of the world at large.

The second base in the triangle is West Asia, which with its oil wealth and financial acumen have vast financial resources available for productive utilization. The third base constitutes the developed countries of the world viz. Japan, U.S.A., Europe, etc. who have the technology, management and organisation ability and the export marketing know-how and outlets that are vital to the success of any industrialization programme.

Thus, ladies and gentlemen, you are well-equipped and qualified to discuss how we can fuse together the natural resources and manpower of ASEAN, the financial resources and business acumen of West Asia and the technology and skills of the developed nations so as to create mutually beneficial opportunities, not only for the ASEAN countries, but also to those who will participate in the economic and industrial development of ASEAN.

I have just referred to this tripartite effort as a triangle of growth. I would now like to extend the analogy further. A triangle is flat, it has 3 sides and two dimensions. It lacks the most vital element in any growth activity, the third dimension, that dynamic element that will generate benefits for all. Thus in this forum today, in the presence of our brothers from West Asia, I would like to call upon all of you to create a triangular 'pyramid of growth' in the ASEAN Region. I would like to urge all of you here today, and those others who are not here but who may hear about our efforts, to help build this pyramid which will have as its apex or ultimate objective the maximization of the welfare and/or wealth of all involved. However, unlike the pyramids of Egypt (which by the way have a square base) which took generations to build, based on the ingenuity of master-builders and the labour of slaves, this new 'economic pyramid' that we call for, will be based on the ingenuity of our entrepreneurs and businessmen and the labour of the free citizens of the ASEAN nations. On the other hand, like the pyramids of Egypt, we hope that the economic and business relationships that are established today and in future meetings will stand the test of time.

We see this tripartite arrangement as the most natural answer for the desire of ASEAN Nations to develop their economies and the desires of the West Asian and other developed nations to put their financial, technical and management resources to the best use and for maximisation of profits.

You may notice that I have mentioned the dreaded word 'profits'. I have done this to assure all businessmen that we in ASEAN do not think that the word 'profit' is an evil word. We recognise and expect businessmen to undertake economic development activities, to undertake industrial development activities and to undertake agricultural development activities with the intention of making profits. We recognise that profitability is the best criteria for efficiency and success. We do not want to promote industries that are not profitable. We do not expect businessmen from West Asia and from other developed nations to come here purely for charity. What we expect is that they should, while assisting us with our economic development efforts, benefit and reap their due rewards. The individual ASEAN countries have drawn up their own rules and regulations and guidelines for investments and

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all investments will have to operate within these guidelines. These guidelines will ensure that there is mutual benefit for the respective ASEAN nations from any bilateral or trilateral cooperation for investments. In other words your profits will also be our profits. It should be clearly understood that we foresee a continued major role for a **vigorous** private sector. Historically, private enterprise has provided the major source of production, income and employment creation. And there is every reason to expect that private sector investment and entrepreneurship will continue to play an important role in the future development of the region.

There is often a tendency to contrast the roles of the public and private sector in the development process; with the private sector cast as rapacious and unconcerned with social goals while public sector enterprises are often held up as inefficient and incompetent. Neither image is correct or deserved. The private sector will, by definition, be concerned with maximizing the returns to investment and thus satisfying the objectives of those who have invested their capital in the particular risk venture. This is as it should be for in the process of **maximizing** their return private investors are assumed to achieve an efficient use of **scarce resources**. At the same time, however, Governments perceive certain social goals which will not be accounted for in the simple maximization of returns on investment. To ensure that these goals are met, guidelines must be laid down to channel private sector achieving those social goals which the maximization of private returns alone would omit. Recognition of such external goals and the establishment of guidelines to achieve them does not imply any conflict between private investment and public policies. On the contrary because of the realisation of the challenging targets set for the private sector in the various national development plans it is recognised that a favourable investment climate must be maintained. To this end policies and measures laid down to encourage the private sector to play the role required of it in the attainment of socio-economic objectives must be reasonable. In other words the policies and measures must strike a balance between maintaining an incentive for private initiative and ensuring that social inequities are rectified in the shortest possible time.

At the same time, there remains a vital role for public enterprises. It has long been accepted that areas of production which form natural monopolies or impinge upon national security are areas appropriate for public enterprise operation. Increasingly governments also recognise the potential for using public sector activities to achieve new goals of economic and social objectives. In such areas public and private sector enterprises should be encouraged to compete in the same manner that private firms compete. Public sector enterprises should be every bit as conscious of how they use resources as are private sector firms. Our resources are scarce - and their efficient use is of paramount importance. But this does not necessarily imply that all public sector enterprises must show a profit. Because such enterprises are called upon to achieve legitimate social goals, not readily measured in terms of pecuniary values, they may appear unprofitable when viewed by the criteria appropriately used to measure private sector efficiency. This, however places an added burden on those responsible for public sector management; to develop control measures and criteria which will ensure that economic efficiency is not unduly sacrificed for the attainment of social goals.

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In Malaysia the private sector has a crucial role to play in the attainment of the nation's socio-economic goals. The active participation of the Malaysian business community, in combination with foreign private enterprise in the history of Malaysia's economic development, is indicative of the invaluable contributions that the private sector, in partnership with the Government, can make to the nation's progress. The Government would like to see this significant contribution to continue, and to continue at a higher rate. This Government is fully appreciative of the need to maintain a sound and favourable investment climate as an essential prerequisite to the existence of dynamic entrepreneurship. The Government will ensure that the design and implementation of its policies and programmes are conducive towards the fuller utilization of the great potential that exists in private initiative and enterprise for the socio-economic development of the country.

Many of you may be wondering as to the short-term and long-term advantages of investing your financial and technical resources within ASEAN, as opposed to investing these in other areas, especially in the developed world.

Though for some, the short-time advantages of investments in developing countries may not be very obvious or apparent at this point of time, I am sure, these will become very clearly evident in future in view of the changing trends in world economics. It is becoming increasingly a fact of life that the high costs of raw materials and transportation, the high costs of labour, the high cost of land and in fact sometimes even the availability or non-availability of labour and land, are forcing manufacturing companies in developed nations, operating in the international markets, into a position where even their very existence is being threatened, quite apart from their non-profitability.

In our study of economics we have read about structural changes taking place within countries when some industries rise and other industries decline. During such periods of structural change there are bound to be uncertainties and certain problems will arise within the nation, and certain economic disruption may be created temporarily. However, in the long run economic history has proven that these structural changes will bring about total national benefit. The world today is seeing such structural changes taking place on an international scale. Due to the law of comparative advantage (which was not invented by us in the first place), companies in developed countries that are manufacturing for the international market, find that to **survive** in these traditional markets, they must either begin to accept decreasing profits or in order merely to survive, they may have to move their operations to areas, where they will be able to continue their manufacturing operations more economically. The ASEAN nations for long periods in our history have been reliable exporters of raw material resources to supply the growing demands of developed nations. Fortunately we are now in a position where we can accept and sustain manufacturing operations which may wish to utilize our abundant availability and low cost of our raw material resources,

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the abundant availability and low cost of our educated manpower and the abundant availability and low cost of our land. While the western world must increasingly concentrate on high technology production, we in ASEAN are ready to manufacture the products that do not make any economic sense for continued manufacture in the developed nations.

As in the case of structural industrial changes within nations, these global structural changes in industry will most certainly cause temporary disruptions within the economies of developed countries. However, if we are to look towards the total welfare of the world in terms of our global ability to manufacture goods and services at the most efficient and economic levels, then these temporary disruptions must be accepted as the cost of progress. As past experiences have shown these will bring about long term benefits to citizens of the developed world in terms of their ability to purchase goods and services at lower costs. Surely such rationalization of production processes is one valid long term answer to the problem of inflation and increased costs of goods and services. The developed nations must have the **courage** to accept this challenge of restructuring and to assist us (and in the long run assist themselves) in our efforts to create a new economic order based upon the most efficient utilization of productive resources. We in Malaysia and in ASEAN are ready to accept this challenge and to offer all the necessary facilities and incentives for viable manufacturing operations within our region; not only to supply the region but also the world.

I most sincerely hope that this Conference will bring about the realization of at least a few projects between individual ASEAN countries, West Asian investors and investors from developed countries. Given the will of all concerned we may at this Conference lay the foundation stones for the 'Pyramids of ASEAN'. Even though these ASEAN business pyramids may not achieve the status of being one of the wonders of the world, let us all at least try to establish these as fine examples of international economic co-operation.

With these words it gives me great pleasure to declare this Conference open.

KUALA LUMPUR,  
8hb. Mac, 1978. (dikeluarkan pada pukul 11.00 pagi)

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