

SPEECH BY YAB DATO' SERI DR. MAHATHIR
BIN MOHAMAD, DEPUTY PRIME MINISTER/
MINISTER OF TRADE AND INDUSTRY ON "THE
INVESTMENT CLIMATE IN MALAYSIA" AT
PUSAT DAYA PENGELUARAN NEGARA, PETALING
JAYA, ON 29TH MARCH, 1978 AT 7.30 P.M.



Ladies and Gentlemen,

I am most happy to address this gathering on the topic of Malaysia's investment climate, because you are members of the Malaysian Association of Productivity and productivity is crucial to the promotion of a good investment climate.

However, before I talk about the relevance, indeed, the importance of productivity to the country's investment climate, I think we should first of all try to understand what constitutes a country's investment climate. It is a subject with many facets, both tangible and intangible.

What constitutes an investment climate? Firstly of course is the policy of the Government. If the Government is against investment, as in the case of socialist Governments, no one, local or foreign is going to invest. An ultra-nationalist Government that is against foreigners because they are foreigners would also deter investment by foreigners and by local investors in areas needing foreign markets of foreign participation.

Since independence Malaysia has consistently encouraged investment, whether foreign or local. Despite trends in newly independent nations to be anti-foreign and ultra-nationalist, to nationalise all kinds of big business as a means of social redressal Malaysia has held steadfastly to her policy of encouraging private investments and business, whether foreign or local. It is true that there has been a number of industries such as telecommunications, railways, power and electricity, which have been exclusively owned by Government. It is true that the Government both federal and state is going into business more and more, through Government-owned trading corporations. It is true that some of these trading corporations have become monopolies. But private industry except in specific strategic areas, have not been stifled. They have in fact been encouraged and in certain instances they have been welcomed as partners of Government-owned enterprises.

On the whole therefore Government attitude towards business investments have not changed along the popular lines taken by most new nations. It is for private enterprise and as such Government policy in Malaysia can be said to be contributing towards a good investment climate. Certainly the policy has not dampened investments.

But Government policy alone is not enough. To really create a good investment climate that policy must be interpreted in practical terms. Thus the manner in which the policy is applied must be considered as a constituent of the climate of investment.

It must be clearly understood that Government encouragement of private business is not altruistic. The Government sees in investment a lot of benefit not only for itself as the Government but for the people it represents and the nation as a whole. For itself, the profits of investment mean increases in tax collections to support the machinery of administration. For the people, investments mean jobs, incomes, associated servicing and supply businesses and a host of other direct and indirect benefits. The excess of tax, after administrative expenses (operating expenses) go towards financing development or servicing debts on development loans. Thus schools and hospitals and roads and other amenities accrue to the people and the nation as a result of investment.

The effect on the nation is obvious. Economic prosperity resulting from investment in itself contributes to the growth and strength of the nation. A prosperous nation in which the people get a share of the national wealth is more likely to be stable than a poor nation. A rich nation is less likely to seek help from other nations and in so doing submit to the demands of the donor powers. In other words an intrinsically wealthy nation is more truly independent.

Because the reasons why the Government encourage investment are the promotion of the interests of the country and people, the policy to encourage investment must be tempered with the need to regulate them so that the objectives of the Government are achieved. Thus there must be laws which govern investment. Laws by their very nature must be restrictive. Even laws promote investment must be restrictive aspects. The promotion of local industries for example must be by restricting imports at least partially.

The formulation and application of regulatory laws must have an effect on the investment climate. The effect may be good or bad not only because the laws are promotive or restrictive but also because of the nature of investments. Thus the law to promote import substitute industries will encourage investment in the manufacturing of these import substitutes but it will also restrict investments in various business concerned with the import, handling and distribution of similar products.

Protective tariff laws and pioneer status are only meaningful if they give an advantage to a calculated number of people. If pioneer status is given to everyone than it becomes no longer worthwhile. For those who obtain pioneer status the law is good. But for those who do not get the pioneer status for one reason, or another, the effect of the law is restrictive.

If laws are also used as instruments of social redressal there will also be these positive and negative contribution to the investment climate. The ICA is often accused of spoiling the investment climate. But on the other if there is no ICA there might be a reaction from one section of the population, which will not just spoil the investment climate but can destroy it altogether.

Hence a policy to encourage investment can only be meaningful if the interpretation of that policy in terms of laws and regulations are non-restrictive or minimally restrictive. A good investment climate will result if the legal interpretation is in accord with policy.

A third element affecting the investment climate is the actual implementation of Government policies and laws. Good laws can become bad through implementation. A law to promote investment may become bad if the implementors use it for their own purposes - whether personal or sectional. Delays for example mean money to business people. An implementor may by accident or design delay for just a short while for whatever reason. If this practice becomes universal it cannot help but affect the investment climate adversely.

Sometimes of course the intention is good. However this might result in the officer being over-zealous. This too affects the investment climate adversely. On the other hand a good bureaucracy that understands Government policies and laws and apply them in a pragmatic manner, firmly, fairly and consistently will contribute towards a good investment climate.

The provision of good infrastructure facilities not only enables industries to be set up but illustrates in a tangible way the commitment of the Government to promoting investment. Thus availability of good infrastructure is a factor in creating a good investment climate.

Fifthly is the political climate. Here the most important feature is stability and consistency. A Government that is pro-investment will not contribute towards a good investment climate if it is unstable and likely to lose power anytime. The durability of the Government must therefore be evident. At the same time it must also be consistent. A durable Government that changes policies frequently will not help encourage investors.

Sixthly comes economic stability. Extreme national poverty and frequent fluctuation in the economy have an adverse effect on the climate of investment. A steady, stable and expanding economy creates the kind of confidence that help investment decision-makers.

Finally, and most important of all is productivity. As I have stated often enough, investors don't invest because they want to do charity. It is true that their investments have the effect of improving the well-being of others. But this is only incidental. Investors invest because they want to increase or at least acquire wealth, i.e. because they want profits.

Profits are directly and proportionately linked to productivity. Clearly a situation that is conducive to high productivity will contribute to a good investment climate. Where productivity is low investment will be poor.

Productivity is basically the result of skill and application to work. Of course technological advancement also contribute to productivity but an investor invests with full knowledge of the technological level he is capable of. His productivity is therefore dependent on the skill and application to work of the staff at all levels.

Hence the quality and attitude of the people in a country intending to attract investment must affect investment and the climate of investment. A people noted for their skills, or at least willingness to learn as well as dedicated to doing an honest job will stimulate investment. On the other hand a people known to be difficult will discourage investment.

That this problem of attitudes in relation to productivity is crucial can be illustrated from the economic history of various nations. Countries naturally rich in resources and possessing ample manpower have failed to achieve economic strength because the people do not have the right attitudes. On the other countries that are barren of natural resources have achieved economic greatness because of the willingness of the people to apply themselves to work and increase productivity.

Productivity as I have said just now is a result of application to work and of skill. Of the two, the first i.e. application to work is more important. The work ethics and value system of the people can help to stimulate hard work. However modern universal values tend to destroy old work ethics and values.

Modern values insist that work is a commodity to be sold at the highest price. Sometimes if the desired price is not obtained threats and force are used. The result is that work becomes a chore that is reluctantly done to occupy the time agreed for doing work. It is not difficult to imagine how this affects productivity.

While getting the maximum monetary compensation for the minimum work may sound a good bargain, this is more apparent than real. The low productivity that follows will retard the growth, and prosperity of the business that it will not be able to support better income for the employees themselves. Indeed in some instances due to competition with more productive sources the whole venture may collapse and the employees themselves discharged.

On the other hand if work is done because it produces a degree of pride and satisfaction, the productivity is bound to be greater. Perhaps it is difficult to imagine how anyone working on a huge assembly line can have pride and satisfaction. However if a person is a nationalist and takes pride in his own contribution to it. Some people even take pride in their contribution to a finished product. The better the product the greater the pride and satisfaction derived.

Because pride and satisfaction motivates a person, the result must be greater productivity. Good productivity will contribute not only to the expansion of the business but will stimulate more investment. This in turn will help establish a sound economy for the nation. The ultimate result is better living standards for the dedicated worker and job opportunities for the unemployed.

The other factor which influence productivity is of course skills. This is required of people at all levels and in every field. Skill may be a natural asset, but in most cases skills can be acquired. That is why countries which were lagging behind before have now not only caught up with the advanced countries but have actually surpassed them.

That this is so is recognised. Hence all kinds of training institutions are now available in order to disseminate the required skill. Anyone can acquire some skill in some field if he really wants to. Associations on productivity are in fact concerned with the promotion and dissemination of skills for productivity.

Productivity obviously contribute to the investment climate. The greater the productivity of the people, the better is the investment climate. Since productivity is the result of application to work and possession of skills it is important that the workforce or manpower of a nation be properly motivated and trained if productivity is to be increased. Of course when productivity is increased, investments will also increase.

Ladies and Gentlemen,

As an association concerned with productivity, your interest is of course focussed on the role of productivity in improving the investment climate. It is clear from what I have said that it is a most important role. Of course productivity alone will not determine the kind of investment climate. But given all the other factors being available, productivity is the final determinant.

As exponents in the field of productivity you will know how best to improve productivity. You will have your systems and your efforts to upgrade skills. You will also know how best to manage people, motivate them and get the most out of them. You know what executives and workers should do. But I hope that you will also try to install new values and work ethics based not on monetary rewards alone but also on pride and satisfaction in a job well-done, in contributing to the betterment of society as a whole and in building a better and stronger nation.

Ladies and Gentlemen,

Malaysian Management has a vital, and able resource to work with, to mould and shape, and guide. Labour is readily available, and whatever its background or ethnic origin, it is uniformly good. On this aspect, I would also like to point out that people have often talked loosely about the various ethnic groups in Malaysia, and their productivity relative to their backgrounds - that some ethnic groups, for example are less capable, or less productive than others. This is a dangerously misleading assumption and has been repeatedly proven false, for I have had reports from contented companies even in rural areas with less sophisticated labour available, that given the proper training, the labour employed proved as adept and as disciplined and hardworking as the company could wish for.

The onus therefore, ladies and gentlemen, rests with the Management of a project. The fact that you, the Members of the Association of Productivity are aware of the value and the importance of productivity is in itself laudable. I congratulate and encourage you in your endeavours - most of all, I ask you to strive to increase and enhance the nation's productivity - you can begin in a small way by initiating publicity campaigns to make the Management in Malaysia conscious of the fact that productivity is their responsibility and that there are ways to improve it and build it up. Your publicity campaigns could also be tailored for the labour in the country, imbuing in them a sense of pride in their productivity, and the ambition to develop it further.

All this gains an increasing importance in the context of the growth and development of Malaysia's manufacturing sector, for we are now moving into the stage of attracting not only labour-intensive but also high-technology projects which require even higher standards from the labour employed.

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Ladies and Gentlemen,

You, as Members of the Association of Productivity therefore have a considerable contribution to make towards helping us maintain, and improve the investment climate of Malaysia, and I look forward in the future to hearing about your efforts.

Once again I thank you for inviting me to join you here tonight, and for this opportunity to speak to you.

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Thank you.

KUALA LUMPUR, (dikeluarkan pada pukul 6.30 petang)
29hb. Mac, 1978

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