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(PRIME MINISTER)

EVENT: THE AMERICAN INTERNATIONAL ASSURANCE (AIA) 50TH ANNIVERSARY
DINNER AND THE LAUNCHING OF THE 50TH ANNIVERSARY LOGO

VENUE: SHANGRILA HOTEL, KUALA LUMPUR

DATE: 22 JAN 1999

TIME:

It gives me great pleasure to be here with you this evening to celebrate the 50th Anniversary of AIA Malaysia. Five decades is certainly a long period of time for 41 year-old Malaysia. Many of you were not born then; Malaysia too was not yet an independent country. As a developing economy, attracting foreign investments seems less difficult than persuading them to stay on in the country through the booms and busts of economic cycles. Most seek quick gains rather than steady normal profits or good average returns. For the AIA, its long and steadfast commercial presence in Malaysia has clearly paid off. Business is good business only if the clients also benefit. Then they will continue to contribute to the survival and continued success of the business in the future. A once-off business that profits by maximising returns at the expense of the clients cannot last. That the AIA is still around after 50 years defines in which category it belongs.

2. As with any business cycle, economic deterioration must eventually give way to economic recovery. Economic stagnation maybe prolonged, but has never been permanent. The duration depends on many factors, not least the management and the policies devised to deal with the downturn. Malaysia has chosen rather radical methods to deal with the financial and economic turmoil. Some say Malaysia will fail, some say the success will be limited and of short duration. The truth is that none of these wise people have ever actually handled real problems in real countries. They have certainly never experienced the effects of deliberate, massive and severe attacks as have been mounted on the countries of Southeast Asia. And so their analysis and conclusions are basically guesswork. They may be right but they may also be wrong.

3. What is a fact is that the so-called loss of confidence on the part of the currency traders and stock market raiders and their actions have destroyed economies which were once described as miracle economies because of

their high growth and wealth creation. The allegation is that the growth was unhealthy, based on bad practices and should be destroyed in order to enable a clean-up to take place. Phoenix it seems would rise from the ashes. If the destroyers, the currency traders and market raiders happen to make handsome profits while doing the hatchet work, that is incidental. It should not detract from their good intentions to bring about better Governments and better business practices.

4. Malaysia is not taken in by these destructive do-gooders. We recognise them for what they are. We know they are powerful and they are backed by even more powerful forces. We know that behind all these is pure greed that cares nothing for the well-being of others. But we believe that if they destroy us, in the end they will destroy themselves too. When business people care nothing for their clients, when they destroy their clients, they must eventually lose their source of income. It is a simple fact that the destruction of your market will destroy you.

5. Today we are seeing the effect of that destruction. Real business and real profits are no longer contributing to the growth of the world. For a time there will be make-believe wealth in the form of inflated share prices. But the share prices do not reflect the real business or the profits made. They are just figures on the screen. Interest rates cannot be lowered forever in order to support the share market. Nor can the economists and the media talk up the market indefinitely. Sooner rather than later the bubble will burst.

6. Malaysia has been able to manage the financial and economic turmoil fairly well. We have not had to beg from the IMF. We still have full employment. We have more than enough food and medicine. We are politically stable and racially harmonious. But we are a trading nation and a trading nation needs healthy partners.

7. When the bubble bursts we cannot help but be affected. So our problems are far from over. We must be prepared for a possible worldwide deflation. They say it would not happen. But they have been wrong many times before. And they can be wrong again.

8. Today we are celebrating the 50th anniversary of an insurance company. Insurance we know is intended to take care of the risks and the troubles of the future. By putting aside some money today we can ensure that we will have money for unforeseen misfortunes in the future.

9. Since there is a high possibility of a world-wide depression affecting us in the future we must insure against it. Malaysians are great savers. We are

disciplined. We work hard. We think that our well-being, our country is our responsibility. We have to continue with these habits and cultural traits.

10. If the expected deflation does not take place, we can be sure there will be other challenges. There is much talk today about globalisation, about a borderless world. We are getting ready to open up our borders. But we are not getting ready to handle the problems that will come with opening borders.

11. We have had a foretaste of globalisation when capital was pulled out from our country and our currency was devalued. We did not anticipate that and we were therefore unprepared to deal with these abuses of the free flow of capital. We have been fortunate in being able to contain these activities eventually.

12. But we now see the preparations being made by the rich in order to take advantage of globalisation. Huge banks, industries and utilities are being formed through mergers and acquisition. Each one of these is bigger than most of the developing countries. Each can literally swallow up these countries. There is no doubt that their intention is to monopolise the field that they are in.

13. The tiny banks, industries and utilities in the developing countries will be swallowed up by them once the borders are down. In any case it will not be possible to compete with these giants. Their economies of scale will be simply unbeatable.

14. Governments cannot protect. Protection of businesses owned by nationals will be labelled cronyism and nepotism. Only foreign takeovers will be free of such accusations. Eventually the foreign giants will take over everything. The competition will be between them. We will all work for them.

15. Globalisation can mean this. We have to ask ourselves whether we want to be employees of international foreign-owned giants or owners and managers of our own little banks and industries.

16. The intellectuals and social activists are still jousting at their favourite windmills. They are being encouraged to do so. They are well-supported, given full publicity. They are not aware that they are being used.

17. But real thinking people, concerned nationals must focus on what is being prepared for us. We have seen what capital flows across borders can do to us. When the giant corporations of the world step over our borders, will we have the benefit of scale and size or will we be

just sat upon and squashed?

18. At the moment we can still fight against the trend. Globalisation can be good if regulated, just as capital flows can be good if regulated. We should welcome globalisation but we must ensure that it will not be open to abuses.

19. Malaysia is a small country. We survive and prosper through open trade, not aid. But we know that there is no perfection in any system devised by Man. Men will always find ways to abuse anything designed for their good. They will always find loopholes.

20. In this very challenging 'fin de siecle' environment Malaysians must learn to rely more and more on themselves. We must be cautious when accepting something new as proposed by others.

21. We welcome globalisation, deregulation, liberalisation and borderlessness but we must know what all these mergers and acquisitions and the consolidation of the giants are all about. Are they preparing for a world invasion, for world-wide monopolies, for economic hegemony? If they are and it looks as if they are, then if we cannot halt them, we must appeal for time. Please don't use the IMF to prise open our markets to pick up things on the cheap.

22. Don't accuse us of cronyism if we try to protect our people from these predatory giants. It is our right to defend ourselves and our independence. We do not fight for independence only to be trampled under and made worker bees to foreign queens.

23. We welcome foreign investors nevertheless. That is why we are happy that AIA is here celebrating its 50th anniversary. AIA has been a good corporate citizen. It has invested most of its earnings in this country. It understands that we are not just a market for it to exploit using its superior skills and massive capital. It is a partner and not a foreign exploiter. It respects our laws and our policies. I am sure even in a globalised world it will continue to do so.

24. So I am happy to wish AIA a Happy 50th Anniversary. I would like to congratulate my friend, Hank Greenberg, for his many successes in this field and in others. He has conducted his relations with us with diplomatic finesse and he has succeeded because of that.

25. I am sure the American International Assurance Company will go from strength to strength in Malaysia. The Malaysian Government will always extend a helping hand in the name of Malaysia Incorporated and I am sure

the AIA will similarly cooperate with the Government. It will be good for everyone, the company, the Government and the people of Malaysia. It will result in win-win for everyone concerned, not a zero sum in which the winner takes all.

26. And so, Ladies and Gentlemen, I take great pleasure in launching the 50th Anniversary Logo of the AIA.