

AT THE OPENING OF THE 7TH. MALAYSIAN ECONOMIC CONVENTION
THE MERLIN HOTEL

18 JANUARI 1983

Yang Berbahagia Professor Datuk Mokhzani, Presiden,
Persatuan Ekonomi Malaysia,
Dif-Dif kehormat,
Tuan-Tuan dan Puan-Puan yang dihormati sekalian,

Terlebih dahulu saya mengucapkan ribuan terima kasih kepada penganjur Konvensyen ini, khususnya Professor Datuk Mokhzani, kerana menjemput saya dan memberi penghormatan kepada saya untuk melafazkan sepatah-dua kata bersempena dengan pembukaan Konvensyen ini.

2. Saya juga mengambil kesempatan ini untuk mengucapkan setinggi-tinggi tahniah kepada Persatuan Ekonomi Malaysia kerana berjaya meneruskan tradisi mengadakan Konvensyen Ekonomi yang mana, pada pendapat saya, telah menjadi satu acara yang sentiasa dinanti-nantikan oleh ahli-ahli ekonomi tanahair. Dengan kehadiran pakar-pakar dan berbagai golongan, Konvensyen yang dianjurkan oleh Persatuan ini merupakan satu forum yang bernilai bagi membenihkan idea-idea baru yang boleh membantu kita dalam menganalisa isu-isu, masalah-masalah serta cabaran-cabaran yang dihadapi oleh kita, sebagai anggota masyarakat ekonomi dunia.

Ladies and gentlemen,

3. The theme of this Convention, "The Malaysian Economy at the Crossroads: Policy Adjustments or Structural Transformation," is to my mind well chosen. It is relevant and timely because the 20-year NEP Perspective plan is already well into the third quarter, while at the same time, the world and our own country, is passing through a most difficult period economically. The need to attain political and social targets very often gets in the way of economic planning and implementation. It is, therefore, important to re-examine policies, and make structural changes so that policies and structures do not become objectives in themselves, but rather the means of achieving achievable economic, social and political targets.

4. There is no totally unregulated economy in this day and age. The most liberal of the countries, practising the free enterprise system, are as full of regulations as are the socialist countries. Indeed while socialist countries may have just one regulation forbidding private enterprise the free enterprise nations may have a huge number of regulations in order that the freedom of the free entrepreneurs would not impinge upon the interest and needs of members of the public, other enterprises and the nation as a whole. The nett result is likely to be "hell" for the entrepreneur as he tries to negotiate his way through the maze of obstacles and traps that are gleefully thrown in his way. Nevertheless, some countries are less regulated than others, and some bureaucrats are more understanding and flexible than others.

5. Malaysia is a free enterprise nation but its economy is subject to a variety of regulations as are all free enterprise economies. But if a comparison is made even with the so-called liberal western countries it will be found that Malaysia is less regulated than most. If the other countries appear more liberal it is because they are not tested or threatened. If they are, their reaction is invariably to slap on drastic regulations. Thus ostensibly there was no regulation on foreign purchase of shares when such purchases were rare and limited to acceptable countries. But the moment the practice becomes common and some upstarts get into the act, regulations were drawn up to limit free enterprise. Similarly foreign banks are often excluded from some countries while equity in enterprises are strictly regulated. Subsidies for inefficient economic activities are very common in the powerful free enterprise nations. It can almost be said that the concept of subsidy was invented by them. Free trade was freely advocated as the ideal commercial relationship between nations until the flow of goods was reversed. Suddenly protectionism became a part of the vocabulary of the liberal free enterprise market economy nations.

6. The list is endless. The free-enterprise, free-trade, and market economy nations are anything but free. Tariff and non-tariff measures, subsidies and stockpiles and pure and unmitigated harassments are all used to regulate the economies of free-enterprise nations in order to get the greatest advantage for themselves.

7. Malaysia does not claim to be innocent of these strategems. We do have regulations and policies. But we are more open about them. We do not have a Food and Drugs Office for the purpose of rejecting goods. Nor do we maintain a standards institute for the same purpose. Instead we have Five Year Plans and Trade and Investment policies that are clearly spelt out. Indeed we spend millions every year to explain our policies. And when some particular policy or practice is condemned by foreigners we actually revise them in order to satisfy the people who complain. Thus visas and work permits are now more readily

8. But we are not satisfied with what we are achieving or doing in Malaysia. We are constantly reexamining ourselves. An Economic Panel was set up recently for this purpose. There is no intention to be rigid or to regard policies and laws as sacred cows that may not be trifled with. Indeed the Economic Panel and the whole Government machinery have been clearly directed to reexamine everything, every policy and every practice, to see whether in fact they have served the purpose for which they were formulated or whether they are still relevant to the changing times. And so when you propose to discuss policy adjustments or structural transformation in the Malaysian Economy you are doing exactly what the Government has all along advocated. The fact that you have concluded that we are at the crossroads; and I will agree with you that we are, makes this discussion even more topical and relevant.

Ladies and gentlemen.

9. I would like to give some of my views on the world economy and the Malaysian economy in order to provide a background for your discussion. The world is undoubtedly going through a very difficult period. The whole banking system is now being questioned and with it, of course, the financing of international trade and investments. The pattern of trade whereby the poor countries produce cheap raw materials and buy expensive manufactured goods has begun to change. Having bought expensive plants and machinery the poor countries are showing signs of success in exporting manufactured goods. The rich countries now feel threatened and have resorted to protectionism. This they are able to do because the rich countries of the North are still the biggest market for raw or manufactured goods. In other words the rich North can still dictate terms.

10. The advent of OPEC had a major impact on world economy. But the North is too smart. The OPEC billions have to be recycled and bankers and financial advisers of the West soon got the profits from oil invested in their countries. Once invested there is no way the OPEC countries can get back their money. Instead the OPEC countries must now ensure the economic success of the rich countries if they want their investments to yield a return. Thus OPEC has not really been able to change the world economic pattern. It has merely become a part of that pattern, albeit a very important and influential part. Today OPEC is wracked by all kinds of internal conflicts, resulting in both a loss of wealth and a loss of initiative. In the meantime the North has learnt to live with alternative energy.

11. The last and currently the most important factor depressing the economy of the world is the high interest rate. When an extremely rich country decides to live beyond its means it has to borrow bigger sums from the market. The consequence is not only to dry up the source of fund but to push up the interest as well. High interest rates in a nation which lives on credit means lowered consumption, lowered inventories and lowered investments. When that country is also the biggest market, the effect on world trade is not difficult to foresee. Indeed no foresight is necessary. Depression in world trade is known and felt by everyone.

Talking about adjustments and transformation it is necessary firstly to know the state of the economy and economic policies that we wish to adjust and transform. What in fact is the premise and the starting point for our efforts.

13. I will not talk much about the shortcomings of the Government. You know about them already and you will no doubt be defining them, holding them up for scrutiny and dissecting them. This is a good exercise and the Government will appreciate and take into consideration your views. We fully realise that we are far from perfect. By the same token the critics and the other players in the drama of the national economy are not perfect either. I am going to deal with their imperfections, simply because it is easier to see the whole from the outside than from the inside. When you are inside something, roughly 50% will be behind you and will therefore be invisible. You may turn but then you would still see only 50%. But, of course, you will see that

50% at closer range and in greater relief. This is my experience in Government. I am blind to roughly 50% of what goes on in Government but what I see, I see very clearly.

14. Now, Malaysia is, as I said, a trading nation since written history. But while Malaysia is still a trading nation, it has become largely an appendix of Singapore, a hinterland to a country that is now foreign. We do not grudge Singapore and its prosperity, but the trade with Singapore is not only depriving us of legitimate benefits but is depriving us of the grounds for increasing our exports to our major trading partners.

. Now it is well-known that when countries talk trade they look at the balance of payment. The problem is that figures regarding trade are never identical between trading partners. This disparity is even more marked between Malaysia and her trading partners. Invariably the countries which have a balance of trade in their favour claim that in fact they are buying more from Malaysia than Malaysia is buying from them. Our demand for more exports to these countries are therefore without basis.

16. This disparity in figures is due to the differing interpretation of the origins of imported goods. For goods finally end up. But for most countries, goods originating from Malaysia bought via Singapore are still considered as Malaysian goods. Consequently the total imports from Malaysia by these countries exceed the figures recorded by Malaysia by a considerable amount. Rotterdam and Hamburg, which frequently buy Malaysian goods from Singapore and redistribute them throughout Europe distort the figures even more through double counting. Holland and Germany claim to buy more Malaysian products when in fact these were destined for other European countries which also claim that the Malaysian goods constitute a part of their trade with Malaysia.

17. This is the insult. The injury is due to the loss of ware housing, insurance, port dues, stevedoring, shipping agencies, freight and an assortment of commissions. Worse than this is the deprivation of know-how and contacts which is everything in world trade. For as long as knowledge of the world market is not with Malaysians, for so long will it be difficult for us to improve our trade with the world. all kinds of industries related to the handling of ships. The Government has long ago decided that we will develop

our own ports. We have done this and we are prepared to do more. Admittedly we are not as efficient as the traders would like us to be. But still we can reap the full benefit of direct export if we choose so to do.

19. The main reason for this state of affairs is a mental block which prevents our businessmen from doing their own export themselves. They would rather deal with the convenient middlemen. That way they need to do very little beyond sending their goods across the causeway and collecting their payment. Contacting importers who live in strange places, speak strange languages and conform to strange laws is too much trouble. The nett result is that apart from the loss of business associated with a busy port Malaysian ringgit being one of the strongest currencies, it is not as well-known as the Singapore dollar.

20. It would seem that we are not making as much as we should out of the exports and imports of our products because Malaysian traders are too fond of the easy way to trade. It is not only the villagers who are prone to let the middlemen take the cream, the whole of the Malaysian trading community are prone to this. For the past three years the Government has encouraged the formation of sogo-shoshas but there is yet to be one ringgit that is earned by a Malaysian sogo-shosha. We cannot do everything overnight but the dismal failure in the attempt to do more direct trade is not excusable.

21. So what has this got to do with the adjustments and transformation of the Malaysian economy? The fact is that we are too fond of blaming the systems when human factors are the real causes of failure. The Government has listened to many suggestions and have implemented some of them. Unfortunately, even when they are implemented the problem is not solved or at the very least new problems crop up. Once it was suggested that we should have trade commissioners in order to improve exports. They have been around a long time now but 25% of our trade is still with our neighbour to the south. Then it was suggested that we send trade missions and participate in trade fairs. We have done so, but the result is negligible. Then we are told that we should give incentives and provide protection. The only result is higher cost to the consumers. And so on and so forth.

22. Without wanting to throw a wet blanket I would like to suggest that we also reexamine ourselves. Is it really true that the systems are wrong, or is it simply that we are not making full use of the facilities afforded? While we go about making adjustments and transformations, should we not examine how the present policies are being used by us. I am not talking just of trade. I am talking of everything that affects the economy of this country. There are things that we can change. There are others that we cannot change. Is it really worthwhile to knock our heads against stone walls or should it be better to use the prepared passage or the soft spots which will let us through without exhausting ourselves.

23. The NEP, for example, is one of the most liberal policies. Those who have decided to live with it have done extremely well. Indeed, if you study the daily quotations in the Stock Market and business reports, you must find it extremely difficult to say that Government policy is a hindrance. It is in fact so liberal that a lot of things happen here which would not be tolerated by even the most liberal of free enterprise societies. The same can be said of other Government policies and regulations.

24. Now having said that, I would hasten to reiterate that I do not believe that the policies or the structure of the Government or the economic system are perfect. They are far from being so. Indeed there is a lot wanting in the way policies are implemented, and economic administration is carried out. I honestly feel a need for constructive criticism from the learned economists who are gathered here to participate in this Convention. The Government may not accept all that you recommend, but I would like to assure you that we will not ignore your findings or your recommendations. Certainly they will form a background to any new formulation of policy or any corrective measures we contemplate or accept.

Ladies and Gentlemen.

25. It is the lot of a Prime Minister to handle matters in which he lacks expertise. Worse, he is often required to address experts on matters which he knows very well he has less expertise than his audience. But like it or not he has to do so.

26. For my part, when talking to economists on economics, I like to imagine that really the economists are not all that bright. They are the people who like to talk of averages. Consequently if you listen to them you are likely to drown in a river which has an average depth of 2 feet. Or to extrapolate, I have a Chinese son because I have five children and according to average figures every fourth child born is a Chinese.

27. These are stories that I tell myself in order to give me "Dutch" courage to face an audience like you.

28. I would like to congratulate you on your concern and effort. I have no doubt that your discussion will be interesting and the results useful to the nation. I wish you all the best.

Dengan ini saya dengan sukacitanya merasmikan pembukaan Konvensyen Ekonomi Malaysia yang Ke Tujuh ini.

Terima kasih