

THE ANNUAL DINNER OF THE NATIONAL CHAMBER OF COMMERCE AND INDUSTRY
REGENT HOTEL, KUALA LUMPUR

26 DECEMBER 1984

Yang Berbahagia Dr. Nawawi Mat Awin, Presiden NCCIM; Dif-Dif Kehormat; Tuan-tuan dan Puan-puan sekalian.

Saya ingin merakamkan penghargaan kepada Jawatankuasa Kerja Dewan Perniagaan dan Perindustrian Kebangsaan Malaysia, atau NCCIM, kerana menjemput saya ke Majlis Jamuan Malam ini. Ini merupakan kali ketiga berturut-turut saya dijemput ke Majlis Makan Malam Tahunan NCCIM ini. Selepas tiga kali bercakap, saya berharap harapan saya yang lalu telah dapat sedikit sebanyak dilaksanakan.

Ladies and Gentlemen,

2. This year has been the year of recovery for our open economy due to favourable developments in the world economy. Most sectors have performed much better than last year. Hence we expect a larger surplus in our trade account and a reduced deficit for current account. This will help to balance the rather bad performances of the previous three years. The agricultural, mining, manufacturing and service sectors are providing the impetus for such recovery.

3. However the outlook for the world economy for 1985 is one of moderate growth only. High interest rates due to massive budgetary fiscal deficit in the U.S. coupled with cautious monetary policies and stringent budgetary control in Europe could slow down growth in the industrial countries. Given the fact that the current account deficit of the industrialised countries will increase and the high unemployment rate expected to continue to be high next year among the industrial countries, there will be increased protectionist pressures in those countries. Hence our economy may be affected by the impact of a less vigorous growth in external demand.

4. Our economy will continue to improve next year but it may not be to the extent that we would hope it to be. However the Government's measures as reflected in our last Budget will reduce public expenditures to help improve our balance of payment. And we can expect private investment to increase after the removal of the inequities in income taxes for the region. Still the rate of increase may be lower than that of the current year.

5. For the coming few years the simple fact that we have to accept is that Malaysia's economic performance greatly depends on the economic performance of its major trading partners, particularly the industrial countries. An area available to us for the improvement of the balance in the international trade is to undertake more and more of the services related to such trade, example shipping and insurance. Malaysians therefore must find in ourselves a resolve to be prudent in our spending abroad on the import of both goods and services, and to launch initiatives to increase foreign receipts from the export of goods as well as services.

6. I have outlined the urgency of improving, or rather reducing the deficit on our service account when I addressed you in December last year. I went to the extent of quoting the report by the Council on Malaysian Invisible Trade and I wonder if there is anyone among you who have done any research to measure the response by members of NCCIM to this appeal from the Government. The impression I get is that you have not shown much urgency on your part to tackle this problem. May be I should not elaborate on this score. I understand that you appreciate it, but appreciation without action is worthless. It is high time therefore for you to set programmes and measurements relating to this problem. You should find out for example how much of our exports are dealt on c.i.f and imports on f.o.b since I spoke, and prior to that, the amount of our exports using our ships and insurance, the flow of tourism, and a host of others. It may be worth studying how much our neighbour have pushed our exports to other countries. During my recent visit to African states including Tunisia, I heard the story of Malaysian produce being bought from third countries over and over again. I don't think these countries are doing us a free favour. I am told that other countries can sell our products cheaper than we can. If this is true then we must learn how they do it and then do it ourselves. The Government is ever ready to cooperate but don't just say subsidise or give us the taxes that you collect.

7. Another area where we can improve our service account is in tourism. I would rate tourism as having the best potential for significant and early results. Last year, Malaysians spent \$2.1 billion on travel and education abroad but we earned only half of that amount from inward tourism. The Government has already saved millions by changing the policy on education abroad as well as the use of our own carriers for air travel. But the people have done almost nothing. As a result not only is MAS unable to get more landing rights but foreign airlines continue to by-pass Malaysia. While the whole world praise our airlines, Malaysians cannot find charity in their hearts for even the smallest acknowledgement of the quality of our service.

8. Compared with other ASEAN countries, Malaysia has yet to exploit to the full its potential for tourism, either among overseas tourists or among Malaysians themselves. The promotion of tourism as a matter of national priority is set in the

context of a balanced promotion for domestic travellers as well as the attraction of regional and worldwide tourists. We cannot as yet afford the kind of anti-tourist luxury that some people are advocating. Yes, we must preserve our natural beauty, but we cannot live in attap huts so that a few wandering hippies can commune with nature. To attract the moneyed we need to provide for their comforts in the hotels and tourist complexes after they have had their fill of Malaysia's natural beauty. There will be a balance in the development of tourist amenities and the preservation of the natural beauty.

9. In view of this, I am happy to note that the room capacity suitable for international visitors in the hospitality industry is expected to almost double from the present 16,000 rooms to 31,000 rooms by the end of 1986. Kuala Lumpur alone will see an addition of 5,000 rooms, while Penang will experience an addition of 9,000 rooms. However, Kuala Lumpur has recently received the dubious distinction of being the second most expensive city in Asia, next only to Tokyo. This has had the effect of making the city, even our country, less attractive to visitors. However with the new supply of rooms in the market, prices can be expected to soften. Indeed, I believe, the process has already started. The decrease in rate will surely attract more tourists to Malaysia. It is always surprising to me that hotels can, when faced with empty rooms, lower their rates to rock bottom. If they are asked to lower them even slightly in order to give a better image of the country they would protest loudly because of their "losses". Surely it is better to have a consistently high occupancy rate due to Malaysia's good "non-squeeze" image than to have the yo-yo prosperity alternating with slump that high profits and high charges create.

10. Although the room capacity over the next two years will almost double, yet by no stretch of imagination can we double the number of arrivals, or their length of stay, during the same period. But what we can do is to market our industry aggressively through greater promotion and lower room rates, both in the region and in the long-haul markets. We should not neglect the long-haul market. Though the contribution of the long-haul markets in terms of arrivals to this country is only 20%, its contribution in terms of foreign exchange is nearly half of our foreign exchange earnings from tourism. This is therefore one area where you as leaders of our national industries should consider seriously to improve.

11. Ladies and gentlemen, this is the third year running that I address you and the second that I emphasise on the urgency to improve our current account deficit. Your respective Chambers and NCCIM should make an effort to monitor how much is the contribution by your members towards this end. I in turn would appreciate and look forward to receiving your strategies and work plans, and of course to observe your actions.

Ladies and gentlemen,

12. I would like to thank again the organisers for inviting me to this annual dinner. May be I need a break next year so that my deputy or relevant ministers could be your invited guests. I wish you all the best in your future endeavours.

Thank you.