

NORDIC FINANCIAL INSTITUTIONS IN HELSINKI
FINLAND

17 APRIL 1985

Mr. Chairman; Distinguished Guests; Ladies and Gentlemen;

I am very honoured to be invited here tonight to address this distinguished gathering of Nordic bankers and financiers in this beautiful city of Helsinki. Despite the cold weather, I am already impressed by the warmth of your hospitality and the vigour of your national economy. Almost unique amongst the European economies, the Nordic economies have grown by 3.5% in real terms in 1984, while average growth in the rest of Europe was about 2.3%. Modestly, I must claim that we did slightly better, achieving 7.3% growth in real terms, as against 5.9% in 1983.

Ladies and Gentlemen,

2. When I was invited to address the Nordic bankers, I asked myself what we both had in common, and I was pleasantly surprised to find we share very much a common sense of destiny. We are all highly open and outward-looking economies, the Nordic countries with one-third to one-half of national income derived from exports, while half of Malaysia's income is derived from exports. You still have abundant forests and hydro-electric power, as well as oil and gas resources in the North Sea. Over three-quarters of our country is still covered with virgin jungle, and we are the largest exporter of tropical hardwoods in the world. In addition, we have vast hydro-electric power potential, which we have not yet even begun to tap, while we also have oil and gas resources offshore.

3. Even in the area of banking, I believe we are thinking along the same lines. I am told that as your banking system has become more and more sophisticated, your monetary authorities are moving towards greater deregulation, to promote further financial liberalisation and efficiency through competition. We in Malaysia are also on the same threshold; to improve the mobilisation of resources to finance our high rate of investment, we are reviewing not only in depth our financial policies to increase competition amongst the financial institutions, but also introducing the conditions through which they can innovate without compromising the tenets of sound and prudent banking. I would certainly welcome you to visit Malaysia and talk to your counter-parts on what we are doing in this field. The exchange of experience in this field will be useful for all.

4. I wish to spend some time this evening, however, to discuss the possible areas of co-operation between our countries, especially those of finance, trade and investments. The Nordic countries today have reached a high state of technological development, and are seeking new markets, new partners and new challenges. Technologically we are behind you but we too are seeking new markets, partners and challenges. As you are aware, Malaysia is the world's largest producer of rubber, palm oil, tin, tropical hardwoods and pepper. By the end of the century, we will be one of the largest exporters of cocoa. Much less known is the fact that we are the world's largest exporter of semi-conductor chips, supplying both the United States and Japan with a significant proportion of their electronic components. We are more than self-sufficient in energy, producing about 450,000 barrels of oil per day, with three times as much natural gas reserves as we have oil, and as I have mentioned earlier, abundant hydro-electric power potential. We are on the threshold of industrialisation, with a young population and a growing domestic market. In the last decade, we have established our own shipyards, steel and cement plants, a liquefied natural gas plant, and coming on-stream a pulp and paper mill, an ammonia and urea plant, two hot-briquetted iron plants and a national car complex. All these we have established with either foreign direct investment, in partnership or with their technology and know-how.

5. With a liberal exchange control system and a stable, freely convertible currency, we have always welcomed foreign investments from as diverse a source as possible, in order to ensure that we get the best technology and expertise available, and that we would have access to different markets. I believe sincerely that with Scandinavian technology, superb design flair, and uncompromising quality, combined with Malaysian raw materials, skillful workforce and good infrastructure, we will be able together to bridge the markets of the East and the West. As bankers and financiers who understand the potential of the ASEAN market, and the window to the greater markets of Asia, I am sure you can play a significant role to bring about the partnership in ventures which we hope to establish between our countries.

Ladies and Gentlemen,

6. The tradewinds that once brought your pioneer traders to the East in search of spices are now blowing in the reverse direction. We are now coming to your markets, to open the avenues of trade for our goods, just as we have opened our markets to your quality products. We have much to learn, particularly in product design, quality control and marketing. Because we are all small trading nations, we understand full well the need for open markets, with as little protectionism as possible. Unfortunately, the world market has become increasingly divided into blocs of power, each building barriers of one form or the other, loading voluntary restraint, market quotas, and now countervailing

duties against the exports of the developing countries. For a long time to come, the developing countries will be dependent on the industrial nation for the technology and the capital to improve their standard of living. In the true spirit of free enterprise, if it still exists, the developing countries do not seek hand-outs, but a fair chance to sell their products without handicaps and barriers of one form or the other.

7. As enlightened and pragmatic businessmen, you will understand that in this interdependent world, we cannot live in isolation. We cannot have it both ways. Having made many developing countries into debtor nations, the large industrial nations cannot force the adjustment process only on one party, requiring the debtors to tighten belts and increase exports, while lender countries continue to restrict market access. This beggar thy neighbour approach must be doomed to failure. Our assessment of the balance of the 1980s lead us to conclude that unless we take the initiative to bring our products to your doors, to show you what we can produce, at competitive prices and in qualities and quantities that meet your needs, we will still be subject to the vagaries of the international trade cycle. We can be competitive and efficient, and we have certainly taken significant steps in this direction, by halving our fiscal deficit and our balance of payments deficit in the last two years, and promoting privatisation and greater public private sector co-operation in the spirit of Malaysia Incorporated. But all this is not enough. Unless we have themarket aces, our products cannot be sold to generate the additional foreign exchange to produce more growth. We will continue to be subjected to the uncertain, inconsistent and sometimes erratic policies of the major industrial countries, which could slowly choke off market access by introducing countervailing duties in the name of fighting against unfair trade practices, while being unable to deal with their own structural problems of low gro wth and high unemployment.

8. However, to throw protectionism into reverse gear is not enough. The international monetary system is at the cross-roads. The structure of floating exchange rates, hastily built to replace the cracking fixed exchange rate system of the 1960s, has not worked as well as expected. We see before us today a monumental confusion, with wild swings in capital flows and exchange rates clearly pointing towards the need for radical reform. This can only come about if we recognise that we live in a common world, where domestic policies of the large nations have wide international repercussions, and that we must jointly work hand in hand to solve these common problems. The Nordic nations have always produced far-sighted statesmen who see above parochial and regional issues, and have worked for world neutrality, peace and harmony. I commend you on your foresight, and hope that we can work together to make ours a better world to live in.

Ladies and Gentlemen,

9. On that note, I thank you for your hospitality and hope that you will have the opportunity to visit Malaysia and taste a little bit of our warmth in return.