

## **THE LUNCHEON HOSTED BY THE CONFEDERATION OF BRITISH INDUSTRY (CBI)**

LONDON, 23 JULY 1987

Ladies and Gentlemen,

I would like to thank the Confederation of British Industry for inviting me to this luncheon and to share some of my thoughts with you today. Among us here are distinguished representatives of some of the most successful companies in British industry. I am indeed very glad to have this opportunity to meet you.

Ladies and Gentlemen,

2. Malaysia is not an industrialised country in the accepted sense of the word. But we do intend to industrialise, at least, partially. The primary products like tin, rubber, palm oil, and timber have seen their best days. The future lies in the production of manufactured goods. And so we study avidly the development and progress of the industrialised countries, including Britain, with a view to getting some ideas on how to switch from agro-based industries to manufacturing.

3. Britain is still the most important example of the industrialisation of a nation. Indeed, it was the British who gave meaning to the word industry. You have had your ups and downs, of course. But lately we noticed you are on your way up again. We are very happy regarding this turnaround because not only can we learn much from you but we may probably be benefitting from your success. Britain was once the biggest investor in Malaysia. There is no reason why you cannot regain, at least, some of the past glory.

4. Malaysia's ties with Britain are historical. There were a few bad patches during the colonial period but by and large the memories are quite pleasant. We do not deny that you did a much better job as colonial master than a lot of others. It is to you to a large extent that we owe our present civil service system, the opening up of our country and the development of our industries such as rubber and tin which subsequently became the main source of our wealth.

5. We regret very much that the advantageous position that you had when we gained independence was not exploited by you. But partly this was our fault. We Malaysians look up to you so much that you must have felt taller than you really were. It took the shock of dealing with a reputedly abrasive personality to correct an out-dated patron/client relations. Now I believe we understand each other better and there should be no looking back. We, Malaysia and Britain, should get along well as two nations with good and even fond memories of the past, and a bright interdependent future. Malaysia, of course, is not in the same league as Britain, but young nations do tend to take equality seriously.

6. As I said just now, Britain is still the best example of the industrialisation process of a country. There were many factors which led to the industrialisation success story of Britain. Entrepreneurship and innovativeness were certainly among them. But so were low wages and even child labour. The early successes

were no doubt due to some or all these factors. Once success and strength was achieved, British industries were in a much better position to face the competitors and to deal with the labour problems following upon extensive unionisation of the work force.

7. I am not saying that Malaysia, which is just beginning to industrialise, should not face competition or should resort to child labour. But people should understand if we have to subsidise our industries and our labour laws should be less liberal i.e. be more in keeping with labour laws in the early stages of Britain's industrialisation.

8. As it is, Malaysian labour laws were lifted directly from contemporary British labour laws and we are now expected to practice the very latest in liberal philosophies -- which even the current British Government is discarding. The end result may be failure to industrialise and to compete, which will mean that our people, including the workers, will never enjoy higher standards of living. We want to learn from Britain but we must acknowledge that our present state of development is only comparable to that of Britain of 40 years ago. We cannot therefore indulge in the luxuries of present day Britain. And people should not expect us to. If we appear in any way restrictive it is because others were even more restrictive when they were at our stage of development.

Ladies and Gentlemen,

9. You may have heard about our Look East Policy. Some have made the worst possible interpretation by saying that Look East meant giving all contracts and buying all goods from eastern nations like Japan and Korea. We have explained adnauseam that the policy means learning the work ethics, management methods, business practices and Government/business partnerships in Japan and the successful NICs of the East. We have not ceased to look at the West. The fact that we continue to have some 100,000 Malaysian students in Western countries as compared to 500 students in Japan is clear testimony of this. But we really cannot afford the luxury of 35 hour weeks, old school-ties management, antagonistic Government/business relations, etc. if we want to industrialise successfully.

10. British business really have nothing to fear from our Look East Policy. It did not motivate our Buy British Last Policy. Buy British Last was the result of Britain's lack of appreciation of the millions of Pounds we have been pumping into the British economy through fees and living expenses of our students in this country. Happily this problem was resolved and the Buy British Last Policy was dropped even before Mrs. Thatcher visited Malaysia in 1985. This does not mean that we are going to buy British first. It does mean that British goods will compete on equal terms with everyone else's. There will be no discrimination. So, may I repeat, Buy British Last Policy is dead and has been buried for good.

Ladies and Gentlemen,

11. The industrialisation programme of Malaysia cannot be carried out by

Malaysians alone. We still lack the know-how and even the entrepreneurial skill. We accept and welcome foreign participation. We certainly welcome British participation - you happen to speak the language we understand and we still speak that language reasonably well. Your virtues and even your vices are known to us and we are not uncomfortable with them. Hence there will be no surprises. We do hope that along with some of your selling missions should come investors as well, ready to participate in our industrialisation.

Ladies and Gentlemen,

12. The collapse of commodity prices in 1986 dealt a heavy blow to our economy and our industrialisation programme. But it opened our eyes to the foolishness of being dependent on primary products alone. We accept now that commodities will never regain their old price levels. And so the moderate recovery we are experiencing now is handled with greater wariness.

13. Nevertheless there is economic recovery with every indication that it is going to continue. The stock market is experiencing a minor boom as foreign funds flow in to take advantage of low prices. The effective though involuntary devaluation of the Malaysian Ringgit has made Malaysian industries and products more competitive. The Ringgit has also depreciated against the Pound Sterling -- making the country attractive for British investments. Consequently the manufacturing sector recorded a growth of 6.8% in 1986.

14. To stimulate investments further the Government has removed certain conditions attached to foreign ownership and jobs. Hundred per cent ownership will be easier and more expatriates can be employed. In addition ownership of property has been liberalised. Details are available with the Malaysian Industrial Development Authority (MIDA) which has a British Investment Advisor stationed in its headquarters in Kuala Lumpur and an office here in London.

Ladies and Gentlemen,

15. We have been told on several occasions that the Malaysian industrialisation policy is unwise and unrealistic. We have been asked why should we go into heavy industries and why we should manufacture motor cars. The Malaysian car has been called a Malaysian nightmare and it is losing money, argues its critics. But how many new motor car industries even in developed countries make money the first few years of their existence? In fact, quite a number of new car factories went under without selling hardly one car. Companies making aeroplanes fold up even faster. What I am trying to say is that industries fail and industries succeed. It is a bit too early to say that the Malaysian industrial policy is wrong. In any case it should really not concern others, particularly foreign industrialists. Let Malaysians muddle their way through but do take advantage of their policy. Whatever may be our faults, we have honoured our debts and are not bankrupt. And with reserves equivalent to seven months of retained imports, we are not likely to be. I assure you that you will be safe in Malaysia.

16. Among policies which might interest you is the privatisation programme.

Indeed, we were into privatisation earlier than Britain, but I must admit that implementation is rather slow. The Malaysian Telecoms has been privatised. The Malaysian Railways will be privatised, for \$1 Malaysian Ringgit only. So will be the various ports, highways, power and other public utilities. Foreigners are welcome to participate. I am sure, at least, a few of the 50 million Britons can find some opportunity somewhere in the privatisation programme in Malaysia.

Ladies and Gentlemen,

17. The British are well-known for their spirit of adventure. You are not afraid of far away places with strange sounding names. Malaysia is neither far away nor strange sounding. But we are just not seeing enough Britons in Malaysia. Perhaps you find investing in Malaysia still unattractive. Perhaps you worry about the so-called Islamic extremists whom we trounced completely in the 1986 elections. Perhaps you cannot believe that we have really discarded the Buy British Last Policy. But, you can still come to Malaysia as tourists. You will be welcome and it will cost you a fraction of your holiday anywhere else. What you will see and experience will, I am sure, convince you that at least some of what I say is true. At the very least you would have enjoyed Malaysia and its friendly, frequently English-speaking people. Thank you.