

WORLD BANK

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Honourable Mr. Attila Karaosmanoglu, Vice President (Asia Region) of the World Bank; His Excellency Mr. Vo Van Kiet, The First Vice Chairman of the Council of Ministers of Vietnam; Honourable Heads and Members of the Indonesian, Korean and Malaysian Delegations; Ladies and gentlemen.

It is indeed a pleasure for me to be here today to declare open this Development Strategy Symposium organised by the World Bank. Malaysia is honoured to have been chosen as the venue for this event which, I believe, marks a significant milestone in the process towards greater economic cooperation, that will ensure the stability and prosperity of this region. I welcome all the distinguished members of the delegations and I hope your stay in Malaysia will be fruitful and enjoyable.

2. I understand that the purpose of this Symposium is to exchange development experiences among countries to facilitate and assist Vietnam which is in the process of rebuilding and developing its economy. I am sure that with the wealth of experiences that countries participating in this Symposium have, the exchanges will provide guidance and inspiration to Vietnam in the planning of its economy.

Ladies and gentlemen,

3. The trend towards increasing economic liberalisation of Vietnam is particularly significant to us, as we are all close neighbours. Such liberalisation will without doubt increase intra regional economic interactions and trade and contribute towards a more prosperous Vietnam and the South East Asian Region as a whole. Indeed it will contribute towards the economic well-being of the world.

4. Although Malaysia presently has diplomatic relations with Vietnam, economic and trade relationship between the two nations remains small. Malaysia's annual trade with Vietnam, for example, is only around fifty million US dollars compared with the much larger trade with other ASEAN member countries. Much of this is due to poor contact and differences in the perceptions of each other's systems and the political differences of the recent past. But over the past year these misunderstandings have largely dissipated and more Malaysians are visiting Vietnam to try to establish trading contact and more Vietnamese officials have visited Malaysia to explain the policies of the Government. As a result there has been a small but steady increase in trade and investments which will be mutually beneficial to both countries. Additionally there will be more interests among other Asian countries and international investors in the potentials of Vietnam.

Ladies and gentlemen,

5. We are pleased to note that the 'doi moi' or the process of renovation in Vietnam, which began in 1986, has achieved a measurable success. The liberalisation of farming practices has resulted in increased food production.

Such levels in food production would mean better nourishment and better access to the basic requirements of life for the people of Vietnam. Actions taken to control hyper-inflation in Vietnam have also been remarkably successful. The relatively stable prices achieved and the ability to maintain the correct exchange rates for the Vietnamese currency has resulted in higher savings and investments in the country. We are glad to note that the Vietnamese economy as a whole is responding to the new policies, resulting in respectable rates of growth of both output and exports in recent years. As a result Vietnamese standards of living have improved.

6. We realise, however, that despite these remarkable success, many problems still remain to be resolved. Changes and reforms, usually require great sacrifice, painful adjustments and very often, great patience and discipline. Malaysians have also gone through a process of adjustment during the severe recession of 1985 and 1986. We found that reforms, especially when it involves cutting back on the large public sector expenditures, will be both unpopular and painful. Macro-economic management becomes more difficult and challenging, especially when trying to keep the inflation and interest rates low, maintaining a stable currency and a healthy balance of payments position. But with the support of the people as manifested by the election results, the Government of Malaysia has been able to substantially liberalise its economic and investment policies, resulting in the rapid recovery of our economy. I notice that Vietnam has also introduced measures to liberalise its economy and encourage private sector growth. This is clear indication that the government of Vietnam is committed to develop its economy by the same route that the ASEAN countries have taken, i.e. by welcoming foreign investments in order to overcome local entrepreneurial, financial and technological shortages.

7. I believe all delegations gathered here today share with me the hope that Vietnam will persevere in its effort to liberalise and develop its economy, for the benefit of its people. Malaysia, and I believe many other countries in this region, are willing to co-operate and assist in any way we can to help Vietnam through this phase of its development process.

8. Malaysia for one will be very keen to participate in developing Vietnam' s petroleum, mining, plantation and forestry sectors as well as in investments in manufacturing and in financial and other services. Malaysian industrialists and entrepreneurs have, over the years, gained both experience and expertise in these fields and we are willing to share our expertise and know-how with Vietnam.

Ladies and gentlemen,

9. It is perhaps useful to emphasize at this juncture that while inflows of capital and foreign participation in the economy will be useful in bringing funds and technology, there is actually no substitute for an active, dynamic and responsive domestic private sector to provide the push for a sustained development of the economy. Therefore, it is essential that policies be developed to encourage domestic private sector involvement in the economy. In the process of nation

building, maximum participation of its citizens is essential if the nationals of a country is to gain the full benefit of economic development. It must be realised however that rigid insistence on local participation may result in frightening away investments or in inefficiency. Where there are funds and skills, especially entrepreneurial and management skills, insistence on maximising local participation will not hinder economic growth. But when locals are new to the free market system and lack the skills needed, it is better to be patient and accept the need for foreign participation in investments and management. Eventually when locals have upgraded their skills they can take over. The process may be slow but in the long run it pays. But of course locals must be serious about acquiring the necessary skills.

Ladies and gentlemen,

10. Vietnam' s intention of bringing into operation a market mechanism under state management appears to us to be an appropriate approach. From Malaysia' s experience, we found that even within a free market system, there is always room for planning and coordination of efforts in order to regulate commercial activities and provide clear and consistent policies and strategies. Indeed Malaysia went so far as to have actual Government participation in commerce and industry through various statutory authorities and corporations. At one time there were more than one thousand Government owned companies.

11. Still, even though planning is necessary, it has to be limited to the level of determining broad policy thrusts and strategies, institution building, and the maintenance of a favourable environment for expansion and growth of private enterprise. Given the stage of development, the public sector in Vietnam would have to be responsible for providing infrastructure facilities, education and training and health services so as to strengthen the human and physical infrastructural needs which are essential for growth. However in areas where the capability of the private sector is recognised, Government should avoid or minimise its role. Malaysia' s own experience in creating and managing state enterprises bore testimony to the inefficiency and distortions that could result from too much government direct involvement in enterprises which are essentially commercial in nature. Now that the private sector has produced capable managers and financial muscles, the government has embarked on a plan to privatise public enterprises and other related government entities to reduce government' s financial burden as well as to improve efficiency. The result of the privatisation exercise has been very encouraging and some of the privatised entities which were previously making losses have begun to show profits, some of considerable magnitude.

12. Some of the pertinent lessons from the Malaysian development experience will no doubt be highlighted by the Malaysian delegation in this Symposium. These, as well as lessons from the experience of other delegations will, I hope, prove to be useful to all participants, particularly the Vietnamese delegation, in the economic management of their respective countries.

Ladies and gentlemen,

13. As a country which is committed to the principle of free trade, Malaysia notes with concern the possibility of failure in the present round of trade negotiations. We also note other present trends towards the formation of trading blocs and the creation of bilateral trading arrangements involving developed countries and their close neighbours. These trends are likely to result in protectionist policies, resulting in the restriction of world trade, diversion of trade away from countries outside the bloc, and the disruption of the free flows of capital. Such a trend can have detrimental effects on the economies of developing countries which have trading and other economic ties with the developed countries concerned.

14. The detrimental effect of such a trend on our economies can be minimised if countries such as those in East Asia can speak with one voice on issues of common concern. Singly we will have no hope of arguing our case. The benefits that each one of us can offer to the European and American blocs will be so insignificant that they will not be taken into consideration in the assessment of the disadvantages or loss for the blocs should they take inward-looking policies.

15. If we are to prevent a trend towards protectionism by the European and American trading blocs we must prove that that trend is damaging to their own economy. The possibility of losing a large market consisting of a group of countries would militate against protectionist tendencies and the formation of blocs.

16. The development of an East Asian Economic Grouping, which Malaysia is promoting will, if it fails to prevent protectionism at least over time create a self-generating engine of growth. The development of a dynamic economic powerhouse in this region will also be beneficial to the Third World Countries as it will help to minimise the adverse impacts arising from developments in the industrialised countries by creating additional avenues for trade and investment. I would urge Vietnam to study this proposal seriously so that we can discuss this further at the appropriate time.

Ladies and gentlemen,

17. I would like to express my appreciation to the World Bank for its efforts in organising this Symposium. The role of international development institutions such as the World Bank is important in contributing towards the development of Vietnam. I sincerely hope that the success of this Symposium will mark the beginning of a series of fruitful discussions and consultations to enable Vietnam to effect a smooth transformation of its economy.

18. I now officially declare this Development Strategy Symposium open, and wish Vietnam every success in its effort to develop its economy for the benefit and well being of its people.