

THE OPENING CEREMONY OF THE EXPERT GROUP MEETING OF G-15 ON EXCHANGE OF INFORMATION ON NATIONAL ECONOMIC POLICIES (EINEP) OF MEMBER COUNTRIES

ISTANA HOTEL, KUALA LUMPUR, 8 June 1993

Malaysia feels honoured to be asked by member countries of G-15 to host this Expert Group Meeting on Exchange of Information on National Economic Policies. This event is yet another milestone for G-15 since the Inaugural G-15 Summit Meeting here in 1990.

2. I am pleased to note that despite its recent formation, this Group has steadily increased the number of projects that are aimed at fostering South-South linkages and cooperation. Many projects such as the Bilateral Payments Arrangement, South Investment Trade and Technology Data Exchange Centre (SITTDEC), the Gene Bank for Medicinal and Aromatic Plants, Solar Energy and the Self-Propelling Growth Schemes are at various stages of implementation. We can be proud of this progress and it augurs well for the future of this group. This meeting is also special for G-15 because of the presence of observers from other countries of the South who are not members of the Group. To all participants and observers at this meeting I bid you a warm welcome to Malaysia.

3. The world economy is currently undergoing rapid and unprecedented changes and realignments. In the current global economic situation, the major economies in North America and Europe are no longer in their comfortable positions of steady growth which they had enjoyed the last few decades. The U.S. economy has been struggling to cope with the recessionary pressures since the late 1980s. The 1992 presidential election served as a referendum of how best to get the economy moving again. In this process the U.S. has been urged to adopt an industrial policy in which the government would encourage investment in specific industries and lines of production, both through subsidies and, if need be, through trade protection or managed trade. This focus on the domestic economy has also led to the creation of a new regional bloc in the shape of a North American Free Trade Area (NAFTA). This rivals the European unification (EC) which became a reality on New Year's day this year. However, the European economies, U.K., France, Italy and even Germany have not registered impressive growth performance in the last few years. The Japanese economy, too, has had to adjust to the problems of the 'bursting of the bubble' and now the second Yen appreciation.

4. While this bleak situation engulf the developed economies, East Asia and Southeast Asia, particularly ASEAN countries recorded impressive growth rates. Thus the Asia-Pacific has

become the most dynamic region of the world. This offers hope for other developing economies. Perhaps East Asia can provide the leadership to champion Free-Trade or 'Open regionalism'. Open regionalism will be a great contributor to the open global trading system. That is why the proposal for an East Asia Economic Caucus (EAEC) will help to bring about this very open East Asia.

5. Given this current global situation, the key issue facing us is how should a movement for the South respond to this new global environment? What stance should it take and what kinds of strategies must it pursue? The developed nations are preoccupied with their domestic woes and the problems of the developing countries no longer receive the kind of concern that South countries were familiar with. Whilst the North has successfully exhorted the developing nations to bite the bullet by taking painful policy adjustments through fiscal prudence and economic liberalisation, the North has merely raised protective barriers and created regional blocs. They are not willing to face reality and to admit that they are living beyond their means. For our part, should we continue to play the role of 'junior partners' by requesting for unavailable aid and concessions or should we seek to establish real partnerships between ourselves as a base for a stronger stance in our relationships with the North?

6. The focus of the South movement should shift from the dependence on the North for aid, technology transfer and management expertise towards a kind of 'self-help' strategies. Efforts must be made by member countries to increase South-South linkages and cooperation. The 'marginalisation' of some of the South countries is a consequence not only of the action of others but a failure to develop such South-South links. The South will have to look within itself for the creativity and potential that could be harnessed to accelerate development and growth. It is a matter of survival and self preservation that the South as a group should manage their economies in a manner that creates greater complementarities in production, trade and investment. The vast diversity in the levels of development of our countries must be viewed as an opportunity to establish better links. For example, how can the G-15 countries link up with the East Asian economies? I am confident specific niches can be found to integrate our economies. The time is now right to take control of our destiny rather than continuing to submit to the dictates of others.

7. There is actually much that we have to offer to each other in terms of trade and investment opportunities. The economies of the South currently constitute 25 per cent of world trade. Developing countries' imports alone total around US\$800

billion. The total population of G-15 member countries constitutes a market potential of 1.6 billion consumers. Besides two thirds of the world population live in the developing countries. Although we often produce similar goods and thus become competitors to each other, there are also many things that we can usefully trade with each other. Some countries of the South, such as India and some Latin American countries are technologically quite advanced and offer opportunities for collaboration. Others may have developed expertise in trading and services activities. Yet others have large natural resource endowments or simply large working populations or domestic markets. All these strengths can form a useful base for greater trading, investment and other economic linkages in the near future, if only we are willing to get together more often to talk and identify these areas of mutual benefit and act on them.

8. To nurture such linkages all the nations of the South must put their economies on a sound footing. Political and macro-economic stability is a sine qua non for development. Such stability will facilitate not only the retention of domestic savings and investments but also attract the inflow of foreign investments. It encourages long term ventures and commitments which propel sustainable growth. Without such predictable stability, economic and social pursuits will focus on speculative activities which produce no longterm benefits.

9. It is this realisation that has motivated the establishment of the G-15 Expert Group Meeting for the 'Exchange of Information on National Economic Policies of Member Countries' or (EINEP). Technocrats charged with national economic planning responsibilities will have an opportunity to obtain first-hand information of the economic policies of member countries. This will provide them with a good understanding of each other's economies such that the potentials for enhancing South-South economic cooperation can be identified and made use of.

10. For the short term this meeting hopes to achieve modest objectives, namely an exposure to national economic policies, update important economic information, develop a network of information for formulating strategic actions in North-South relationships, provide a channel to resolve controversial issues, and strengthen the working relationships between economic planners.

11. To provide the initial impetus to the deliberations, I have requested our economic planners to present papers on some aspects of Malaysia's development experience as a backdrop to the meeting. I will highlight some of our major experiences to start early discussion. We have always maintained a policy of

'growth with equity'. Malaysia has demonstrated a framework where growth and equity are compatible objectives. This is contrary to some economists's suggestion that faster economic growth and greater income equality are inconsistent objectives. There is a big tradeoff between quality and economic efficiency. I hope the experts can deliberate on the framework for enhancing this compatibility.

12. Malaysia, with its ethnic heterogeneity and rich natural resources had in the past two decades adopted the growth with equity strategy with measurable success. In the present perspective plan, Malaysia's growth strategy is to focus on balanced development which emphasises not only development of the major sectors but also the strengthening of national integration, promotion of human resource development and the protection of the environment and ecology. Malaysia had also managed to tide over the world recession during the mid eighties by adopting policies which emphasise frugality, efficiencies and increased productivity, market oriented programmes, sound redistribution policies, and investment in human resources.

13. It is accepted that maintaining price stability is a formidable task for many developing countries. In fact many member countries are beset with double or triple digit inflation rates. Price stabilisation policies have been associated with a cost to the nation in the form of lower economic growth. It is really a challenge to explore the possibilities of pursuing high growth with low inflation, meaning that there is no cost to disinflation policies. Inflation is a very important issue because persistent price instability and high inflation has created economic instability for many developing countries which are then required to institute tough and painful adjustment measures.

14. Another experience which will surely vary significantly among member countries, is the optimal public-private mix in the economy. We started from a predominantly private to a strong public sector involvement in the economy. But ultimately Malaysia reverted to private sector led growth. This move coincided with policies on privatisation, deregulation and liberalisation. It is felt that the transition was possible principally because of the emergence of a strong and well distributed entrepreneurial private sector. We would like to consider ourselves fairly successful in implementing our privatisation policy. 15. Since 1983, Malaysia has embarked on a privatisation policy for public enterprises and related public entities to relieve the financial and administrative burden of the Government and raise efficiency and productivity through the promotion of competition. The policy was adopted as a result of the rising

public budget deficit, widespread dissatisfaction with the performance of public enterprises and the need to spur economic growth through active private sector participation. When the policy was enunciated, Malaysia was among the first few nations to opt for this unknown territory -- the reversal of nationalisation. Fortunately, we have not made too many mistakes, as evidenced by the success of the privatised agencies. Thus far, the results of the privatisation efforts have been very encouraging and some of the privatised projects have shown significant improvement in terms of efficiency and profitability. Not only has the Government earned money from the sell-off but some enterprises are paying dividends and even taxes. Funds, which otherwise would have to be channelled for the implementation of these projects, are now redirected to priority areas for poverty redressal and restructuring programmes, while at the same time reducing public sector workforce. We have gained much experience in implementing this policy, which has been translated into a positive instrument of economic management of the nation and we are ready to share this valuable experience with other G-15 member countries. At the same time Malaysia would like to learn from the successes of other countries, particularly Chile.

16. Finally, the structural transformation of our economy through accelerated industrialisation and economic diversification should be compared with some of your experiences. We can learn from each other in terms of the pace of the growth of the manufacturing sector, the availability of skilled manpower to absorb technology transfer and the different approaches to the industrialisation process.

17. With the wealth of experiences of participants in this meeting I am sure these issues will be thoroughly analysed, and where appropriate, innovative approaches or solutions found. We must manage our economies, finance our projects, utilise our human resources and technical know-how effectively in order to face the increasingly competitive world economic environment. I am sure one meeting will not suffice to address the wide ranging issues and problems. Therefore, I hope this meeting will jump start a regular series of such meetings among the economic planners of G-15 member countries. It is my fervent hope that these meetings will be successful in formulating and translating proposals into action programmes for adoption and implementation by developing countries. More importantly, better economic relationships can be established amongst the G-15 countries such that we will be able to chart the future destiny of our nations.

18. I also hope in the midst of your tight work schedule our guests will have an opportunity to sight-see and enjoy our green country. I wish you all every success in your

deliberations and it is with great pleasure that I declare open the Expert Group Meeting of G-15 on Exchange of Information on National Economic Policies of Member Countries.