

JOINT BUSINESS MEETING

SUN CITY, SOUTH AFRICA, 22 AUGUST 1995

I am honoured to be present here today to address this large gathering of distinguished members of the South African business community and their Malaysian counterparts. The presence of a large delegation accompanying me on this visit clearly reflects the confidence of the Malaysian business community on the future of South Africa and its desire to participate in South Africa's development process.

2. Bilateral relations between our two countries since the establishment of diplomatic relations have been close and cordial. This has been further reinforced by the frequent exchanges of visits at both the governmental and private sector levels. If this continues, not only will relationships be enhanced, but commercial networking between our peoples will also be expanded, thus providing greater complementarities for our growing economies.

3. Malaysia is fully committed towards close economic, political and cultural relations with South Africa. We believe in helping to prosper our partners for mutual economic benefits. We are therefore interested in the formulation and implementation of your Reconstruction and Development Programme. This programme bears some similarity with Malaysia's New Economic Policy (NEP). The objectives of Malaysia's NEP were to achieve national integration and unity through the removal of the identification of race with economic function and to distribute wealth equally among the different races.

4. The NEP recognised that the distributional objectives that it sought to achieve must be undertaken within the context of a rapidly growing economy. This ensured that no Malaysian would be deprived of what he already has. Naturally there must be some affirmative action with regard to new opportunities if the backward groups are to catch up with the rest.

5. The NEP essentially was an exercise in social engineering designed to reduce the socio-economic imbalances among ethnic groups and across regions. Within a span of twenty years of the NEP, besides restructuring society, Malaysia also achieved good growth and managed to reduce the problems of poverty and economic imbalances. The NEP reduced racial tensions and brought about peace and stability, enabling the government to concentrate on nation- building.

6. For the period 1991-2000 the National Development Policy (NDP) has been formulated to replace the NEP. The NDP was built upon the achievements made during the NEP period. To

date it has helped to accelerate the process of poverty eradication, and the restructuring of society, again within the context of a rapidly expanding economy.

7. The success of the NEP was attributed largely to an increase in investment. Initially investments, both local and foreign, were directed towards job creation. Today as full employment has been achieved, investments have been directed towards creating higher paid jobs. Accordingly, much emphasis has been given to human resource development, particularly in the area of technical skills. For this, vocational schools have been set up with emphasis on science and technology.

8. Because primary commodities like rubber and tin are subject to price manipulation by our trading partners, we decided to go heavily into manufacturing and to export manufactured goods instead. The share of manufactured exports to total exports increased from 12 percent in 1970 to 78 percent in 1994. Of course total exports have also increased from RM5.16 billion (US\$2.06 billion) in 1970 to RM 153.69 billion (US\$61.47 billion) in 1994.

9. The Malaysian Government recognised that the private sector is not only important to the economy but also to Government revenues, out of which we pay civil servants and build amenities for the people. At the same time, we noticed that most Government companies, despite being monopolies, never did well. They had to be heavily financed and subsidised by Government. Of course many Government departments simply spent money and are not expected to give any direct economic return to the Government. At a time when nationalisation was still popular, Malaysia embarked on a policy of privatisation. Not only were Government companies sold off but some Government departments have been privatised too. The results have been quite remarkable. Today instead of Government making budget allocations every year to Government companies and departments, the Government is receiving dividends and taxes instead.

10. Another approach that was successfully implemented in Malaysia which also contributed to Malaysia's economic growth was the Malaysia Incorporated Concept. This concept is premised on the need to have close cooperation between the private and public sectors to bring about national economic development. Under the Malaysia Incorporated Concept, the Malaysian Business Council was set up to enhance public-private sector cooperation in formulating the regulatory environment and incentives that are conducive to business.

11. Liberal business environment has enabled Malaysian companies to prosper. In many cases they have been able to

trade and invest in other countries. Of course among the countries they have moved into is South Africa. In fact, their faith in the future of South Africa is clearly reflected in the fact that Malaysian companies were among the first to not only trade, but also to indicate their long-term commitment here by investing in South African projects. I am pleased to note that the vast majority of Malaysian investors abroad, including in South Africa, have carried out their investments in a manner that will ultimately benefit both parties.

12. The Malaysian government encourages Malaysian companies to invest in South Africa and also welcomes South African investment in Malaysia. The Malaysian private sector has already undertaken a number of investments in the property sector, particularly in the development of affordable housing and construction of office complexes, together with South African joint-venture partners. Areas for future investment by Malaysian companies in South Africa include tourism. The growth in the tourism industry here has created a big demand for hotel accommodation. Malaysia's experience in this area could be of value to South Africa. The tourism sector, being service-oriented, will also create employment opportunities to South Africans. Besides the tourism sector, potential for Malaysian investment here includes the building materials sector, sewage and water supply projects as well as the telecommunications sector. Other possible areas of cooperation include the aerospace, power generation and the auto-parts sector.

13. Malaysia is keen to develop the aerospace industry, particularly in the manufacture of light aircraft and the production of aircraft components and parts. In this regard, South Africa is among the few countries in the world with expertise in the aviation industry. I am also pleased to note that South Africa will be among the major participants in the 3rd Langkawi International Maritime and Aerospace Exhibition, scheduled to be held in December this year.

14. South Africa is also renowned as one of the most efficient electricity suppliers in the world. In Malaysia, since the privatisation of the power sector, the setting up of Independent Power Producers (IPP) has been encouraged. Therefore, this is an area of great potential for South African power producers to team up with Malaysian power producers, not only in each other's market, but also in third country markets.

15. Another area of possible cooperation between Malaysia and South Africa is in the auto components sector. The creation of a domestic automotive industry in Malaysia has created spin-offs in the components sector. Many of the component

manufacturers are small and medium-sized companies set up under the vendor development programme. There is, therefore, scope for the exchange of information on sourcing of automotive components from each other.

16. Total trade between Malaysia and South Africa, during the first four months of 1995 amounted to US\$190 million, an increase of almost fourfold from US\$50 million for the corresponding period in 1994 while South African exports to Malaysia exceeded Malaysian exports to South Africa during this four month period. As the growth in our bilateral trade is expected to continue, total trade between our two countries for the whole of 1995 is expected to significantly exceed the total trade figure of US\$295 million achieved for the whole of 1994. These figures indicate that our bilateral trade is on a firm footing and poised to expand further. While Malaysia's main exports to South Africa are palm oil, natural rubber, automatic data processing machines, parts for office machines, and telecommunications and sound equipment, our main import items include gold, iron and steel, paper and paperboard, maize and fertiliser.

17. I have during the course of my address highlighted Malaysia's own experience on restructuring society and promoting economic growth. If South Africa feels that our experience is relevant to the future of your own society, Malaysia is more than willing to share our experience.

18. I am confident that the business meetings and discussions that will be held during our stay here will lead to fruitful results for both our countries.