

THE YOUNG ENTREPRENEURS

MARRIOTT HOTEL, KUALA LUMPUR, 20 MAY 1998

Delivered by Y.B. Dato' Mustapa Mohamed, Minister of Entrepreneur Development

I am pleased to be here this morning to address this important Young Entrepreneurs' Organisation's Second Asia Pacific Conference. I would like to take this opportunity to bid all our foreign guests "Selamat Datang" or "Come in Safety" i.e. welcome to Malaysia. I hope that your stay here will be both fruitful and enjoyable. As all of you can see, life still goes on in Malaysia, people are still smiling and business thriving almost as usual. Not much change is visible despite the financial turmoil that we are experiencing.

2. I would like to congratulate the Young Entrepreneurs' Organisation Malaysia Chapter for their efforts in organising this conference which brings together young entrepreneurs in various fields from throughout the world. I am happy to note that since its birth in 1987, the Young Entrepreneur Organisation (Y.E.O.) has offered an increasing number of programmes designed to keep members informed on business, geopolitical and technological issues. I do hope that Y.E.O. will continue to help its members build up their enterprises through education and networking among the 1,730 members in chapters located in more than 70 cities, spanning 11 countries.

3. The theme of the conference 'Global Perspectives: Asian Aspirations' is indeed timely and appropriate considering the economic, political and management challenges posed by globalisation particularly in the wake of the economic downturn in East Asia.

4. Asia is wrestling with an economic problem unprecedented in its history. Asia's positive fundamentals -- historically high rates of growth resulting from vibrant and expanding economies, high savings and exports are recognised by the international community. Indeed at the start of 1997, analysts were saying that the 'miracle' economies of Southeast Asia were destined to continue its growth unabated into the next millennium. The region was praised for its sound macro economic policies and management which few other developing countries could emulate. Then suddenly the words of praise stopped and was replaced by condemnation of their mismanagement, corruption, nepotism, lack of transparency and a host of other administrative misdemeanours.

5. Together with this about turn came what was and is described as a loss of confidence on the part of the so-called market forces i.e. the foreign short-term investors. Capital was pulled precipitately out of these emerging markets and the currencies sold down. The result was a massive loss of wealth.

6. Everyone knows what is meant by currency devaluation but I would like to attach figures to the effect of devaluing the Malaysian Ringgit by 50 percent against the US Dollar. Malaysia's Per Capita Income before devaluation was US \$5,000. A 50 percent devaluation reduces the per capita to US\$2,500. In G.D.P.

terms, Malaysia with a population of 20 million has lost US\$50 billion in purchasing power. We have been pushed back 20 - 25 years when our per capita was around US\$2,500.

7. But the loss due to the fall in share prices when investors sold off their shares and took out the money from the country is even more. Malaysia had the biggest stock market in Southeast Asia, capitalised at about 900 billion Ringgit. When the Ringgit was 2.50 to one US Dollar the capitalisation was equal to US\$360 billion. A fall of 50 percent in share values means market capitalisation is reduced to RM450. But today the US Dollar is equal to RM3.80 and therefore market capitalisation in US Dollar is 118 billion i.e only 30 percent of what it was before. We have lost US\$242 billion.

8. If you add devaluation loss to market capitalisation loss the total loss is about US\$290 billion, taking round figures.

9. This is a real loss of wealth, wealth accumulated over 40 years of hard work, of development; wealth belonging to the country and its people. It took us about 20 years to push per capita income from US\$2,500 to US\$5,000. We lost it in less than six months.

10. We may have done something to cause a loss of confidence but do we deserve to lose US\$290 billion of hard-earned money because of it? But our currency has so far been devalued by approximately 50 percent. Other Southeast Asian currencies have been devalued by 400 percent, resulting not just in huge losses of wealth but bankruptcies of companies and banks, loss of employment for some 20 million workers; political, social and economic upheavals.

11. The Governments, their corruption, their lack of transparency, their crony-capitalism are blamed and repeatedly blamed for the misfortune which had befallen their countries. They may be guilty as accused but it was these same Governments which developed and prospered their countries, created not just millionaires but also millions of good-paying jobs for their people and gave entrepreneurs tremendous opportunities to apply their talents, ambitions and skills to make a good living for themselves. What special thing did these Governments do in May-June 1997 which caused such a costly loss of confidence?

12. People who lose confidence will naturally try to save whatever it is that they have. They must run for cover. But the evidences are that they make very handsome profits, running into billions of dollars as a result of losing their confidence. And every now and then they lose confidence, sold off the currencies and the shares and, we believe, make more money. Of course we don' t know who they are or what profits they make or taxes they paid. That is not important because they are fighting for openness on the part of Governments, they are in fact disciplining Governments for a better world. That they leave behind a trail of economic disasters, of bankruptcies, unemployed workers, poverty, economic refugees is also irrelevant. What is important is that they are

fighting for the liberalisation of the world economies, a better world for the pursuit of unlimited wealth.

13. The reason why I am telling you all these is because as entrepreneurs you must know the environment in which you will be operating. I am quite sure out of this turmoil there will emerge opportunities for entrepreneurship. And entrepreneurs will only succeed if they not only recognise the opportunities but they know how to translate these opportunities into profitable businesses.

14. We can no longer doubt that the world is undergoing radical changes. It is not only the technology, in particular the Information Technology which is changing the world in which we do business, it is also the philosophy which the shrinking world is spawning and developing.

15. You will remember that there was once a rebellion against the excesses of capitalism. Socialism and Communism were direct responses to the unlimited greed of capitalists. It took over one hundred years for the world to realise that Socialism and Capitalism were not alternatives to Capitalism. But in that period Capitalism itself underwent change, becoming less excessive, less dominated by pure greed. The concept of free markets which evolved is not quite capitalism. It is gentler and more concerned for the principles of equity and fairness. It holds great promise for entrepreneurs and entrepreneurship. There would be freedom and opportunities for everyone to set up all kinds of businesses big and small anytime anywhere. Nations such as Malaysia can hope to go into business activities which are within their means. They could switch from agriculture to appropriate industry and create more prosperity for the country and the people.

16. The free market is the gentler face of capitalism, the face that it presents in order to win adherents and encourage defection from the centrally planned economies. But after the collapse of the Communist and the Socialist the need to show the gentle face of capitalism is no longer there. Now naked capitalism has made a comeback. The market is not going to be free for everyone anymore. It is going to be the arena for "a winner takes all" competition. The biggest and the most efficient will push out not just the corrupt but also those who are smaller and less well equipped.

17. We see this in the banking industry. Mergers and acquisitions are intended to create banking giants which can dominate the industry. There is no place for the small anywhere. Globalisation and liberalisation are translated into absolute freedom to dominate worldwide. Competition will only be between the few giants. Oligopoly is the order of the day.

18. The argument is that the clients will have the services of the most efficient and the best endowed. So they should be well-served indeed and they should welcome oligopoly by giants. But giants very often fail to see the Lilliputians whom they are supposed to serve. When giants move, as when they change policies or practices, the Lilliputians get crushed under, too tiny to run out of range. The Lilliputians cannot expect personal attention and service from giants. But not to worry. The clients too will be swept up in mergers and acquisitions.

They will become big too. The small will disappear, never to reappear again. And entrepreneurs must by definition almost all be small. There will be no more of them. Instead everything will be giant sized, spread throughout the world. We will all eat at world-sized restaurant chains, stay at identical hotels, wear mass-produced clothing, drive in three makes of cars etc. Even the boutiques will be limited to a few world-brands. We will all work for a small number of giant employers operating worldwide.

19. These things may not happen of course. But we must recognise that the advances in Information Technology make all these things possible even now. Giant companies are already forming and operating worldwide. Through mergers and acquisitions they are becoming bigger and more powerful. The spate of legal action against a software company is caused by the fear of a monopoly. We can regard these attempts to stave off a monopoly of the software industry as a rear-guard action. It will delay the process but in the end the protagonist of "big is beautiful" will win.

20. Entrepreneurs must look for a niche for themselves in this new economic order. It will not be easy. The old small enterprises may no longer be available for you to move into. But the smart among you will surely find something in the world of electronic commerce which will lend itself to exploitation by the enterprising. One thing that is sure is that new ideas for new enterprises will not be as durable as before. The shelf-life of products and services is getting shorter and shorter. So will new enterprises. No sooner is a new enterprise developed when someone else will develop a new and better enterprise to compete with it. Those wanting to remain in business must be truly enterprising. They must always be thinking of new ideas of doing business and new ways of presenting them.

21. I am aware that the picture I have painted of the emerging age is none too encouraging. But I am also sure that as entrepreneurs you are not easily discouraged. Entrepreneurs do not exist in a vacuum. Your enterprise is really the result of the opportunities presented by what is around you. Knowing what is or will be around you is very important in deciding what enterprise to undertake and how you will ensure the success of the enterprise.

22. As for Malaysia we have decided to take the Information Age seriously. We have accordingly launched what we call the Multimedia Super Corridor, an area measuring 15x50 Km, where business in Multimedia will be provided. While the big players and established multimedia companies will be able to make use of the facilities we are providing, there is ample room for the small entrepreneurs to make use of the numerous opportunities for software, contents and supporting products to be developed making use of the same facilities available. I hope you will examine the MSC and the Cybercity we are building in order to get ideas about the niches that will suit you.

23. Last, but not least, I wish to promote the 1998 ' Women Leaders Network Meeting' to be held in Kuala Lumpur in September 1 - 2, 1998. Women entrepreneurs are cordially invited to attend this meeting which will focus on

dynamic partnerships and cooperation towards capacity building for sustainable economic growth. This meeting will facilitate the initiation of joint enterprises and partnerships between women entrepreneurs in the various economic sectors, vis-a-vis in attaining better access to markets, information, technology application and in product standardisation and globalisation strategies. In addition, the meeting will review and assess the impact of the current currency crisis on APEC economies, in particular its impact on women-owned businesses, and to recommend cooperative efforts to counter its adverse effects on women in APEC economies.

24. Certainly, this conference will contribute in no small way towards generating continuing interest amongst young entrepreneurs to learn from your peers, and to generate new ideas and opportunities. Despite everything opportunities abound in the Asia Pacific region particularly in this country. I do hope that although your conference schedule is tight, you will be able to take time off to explore Malaysia and bring back with you, fond, enjoyable and pleasant memories.

25. On this note, I now have great pleasure in officially opening the Young Entrepreneurs' Organisation' s Second Asia Pacific Conference.