

The Malaysia - US Business Council Roundtable And Inaugural Meeting

New York, USA 28 September 1999

" MALAYSIA AND THE UNITED STATES IN THE NEW MILLENNIUM - CHALLENGES AND OPPORTUNITIES "

Malaysia just celebrated its 42 years of independence last month. Within that time span the world saw Malaysia transformed from an agro-based economy to an industrial-based entity, swiftly moving into high-tech and plunging into the information age. Today, the search for and use of knowledge has become the most prominent preoccupation of our time. It was only a few years ago that we were so engrossed with the manufacturing industry and, hardly have fully extended it when we find ourselves in the information age.

2. Before our very eyes, the typewriter has become obsolete, the fax machine will eventually face the same fate and e-mail, which used to be an astonishing fascination only just six years ago, has now become as common as posting a letter. The number of Internet users and providers is growing like mushrooms and we are overwhelmed by information from every direction -- not just from newspapers, books and magazines but through dozens of cable channels, thousands of Internet sites, and millions of pages of data from research and education institutions.

3. This knowledge era is all about sifting through this glut of information for the nuggets which can contribute to heightening the standard of living and quality of our life. This is the age not just of change but of ever more rapid change. No sooner is a new product on the shelf, when they become obsolete as newer products replace them. Billions of dollars are lost as expensive new systems are installed only to be found inferior to a newer system. And ideas and values change with equal rapidity so that what is now regarded as good will become bad tomorrow and soon after that will become good again. Adjustments have to be made continuously.

4. Malaysia and the United States differ in very many ways. Malaysia is comparatively a very young nation. The United States has been around for over 200 years, and within that period, its society has gone through a process of social, cultural, economic and political change which had transformed it from a newly independent backward country into the richest and the most powerful nation that it is today.

5. However our two countries are entering the information age together on almost equal footing. It is not likely that Malaysia will gain more from this age of information but it is possible for certain niches to find a home in Malaysia. We do have certain advantages in that we do not have many with vested interest who see in the changes and advances a threat to their own businesses or positions. We are young enough to embrace new ideas without conditions or with minimal conditions. We also have a different view of the role of Government and the private sector. We think they complement each other closely. The success of

one is dependent on the other and vice versa. And the gains made by one also results in gains by the other. Certainly the Government has a share in all profits through corporate taxes. And when the Government expends the taxes collected the private sector must benefit from sales of goods and services and also from Government contracts. We see no need for a confrontation between the Government and the private sector. We see a need for their cooperation and collaboration instead, a symbiotic relation.

6. During the recent economic turmoil we in the Government worked hard in order to restore the health of the private sector. We know that if they fail, Government must eventually fail for much of our revenue comes from them. It is easy to say that we should let them bleed to death. But the private sector is not just the owners and the managers. The workers, the suppliers of goods and services; they all make up the private sector. When a company fails a whole lot of people will suffer. As a Government we have a responsibility to oversee everyone's welfare. Bleeding companies may show that the Government is serious about good business practices, about so-called reforms. But is it absolutely necessary that the companies bleed? Are there no other way to promote good business practices and reforms other than through allowing them to bleed and die? We think there are. We think that it is possible to ensure good business practices and reforms, without bleeding companies to death. Companies do not practice bad management. People do. The owners, the CEOs and sometimes the staff do. We will act against these people even as we resuscitate the companies.

7. Our belief in working closely with the private sector extends to foreign companies. Foreign investors and managers in Malaysia know very well that we go out of our way to attract them and to help them set up their businesses. Indeed we were among the first in Asia to welcome foreign investors before FDI became well-known.

8. When we invited foreign investments in productive industries, we the Government were not expecting to gain anything by way of revenue. Tax incentives were given freely for we were only interested in creating jobs for our people. And we succeeded so well that today we have two million foreign workers in our country. For the locals there is really no unemployment even during the recession. Job opportunities exceed the numbers retrenched.

9. But we do want to see our workers earn more - not through strikes over pay increases but through upgrading their skills and increasing their productivity. Obviously the higher the pay, the higher the per capita income and the better will be the living standards of our people.

10. We do not believe in confrontations and tests of strength. In developed countries workers unions and management lock horns and do not mind destroying their industrial capacities in the attempt to prove who is stronger. It is a primitive way of settling disputes. Imagine what would happen if the only way for people to settle their problem is to fight each other until one drops dead or surrender? In a civilised society we settle disputes by going to the courts or by

arbitration. We all agree to accept the decision of third parties, of judges or arbitrators.

11. But in industrial actions, settlement is achieved through work-stoppages or lock-outs. When settlement is finally reached, not only will the cost of the new wages be included in the new price of the products, but the damage done to the company's property and intangibles will also have to be factored in. As others will also have to increase their prices in order to compensate for the higher price of products and services i.e. as inflation increases, the higher pay will not purchase much more. It is not the company which has to bear the cost of strikes, it is the public and the whole country.

12. That is why in Malaysia we tend towards arbitration rather than industrial action. As a result the cost of manufacturing in Malaysia has always remained relatively low. I believe foreign investors appreciate this. That is why Malaysia has always been able to attract direct foreign investments.

13. Now we are moving into the Information technology. Again we want to encourage foreign direct investments. The Multimedia Super Corridor which we created is acknowledged by people in the industry as unique. The International Advisory Panel on which sit most of the successful people involved in multimedia business, research and development has enabled us to keep track of the latest thinking and advances in the Information Age and to make provision for them in terms of cyber laws, practices, infrastructure needs and policies.

14. Despite the economic turmoil we have not slowed up on the development of the Multimedia Super Corridor. In fact it is ahead of schedule in terms of infrastructure and even in terms of our targets for investments by world-class companies. We aimed for 50 such corporations by 2003 but we already have 33 of them.

15. Cyberjaya is the city dedicated to multimedia industries and business and the Information Age. It is already taking shape and the first research laboratory has been set up by Nippon Telegraph & Telephone Corporation (NTT). A Multimedia University located in Cyberjaya will not only produce the knowledge workers required but will work with the industries in research and development, in testing products and in training personnel working with multimedia companies. Many major international multimedia companies have endowed chairs and funds for the University because they are impressed not only with the potential but also the quality of the students being trained there.

16. The most attractive feature of Cyberjaya is the working and living environment. It is beautifully landscaped and will have clubs, restaurants and recreational facilities where the research workers and others involved in the industry as well as outside the industry can meet and exchange ideas and information and interact.

17. An entertainment village will also be located nearby dedicated to the modern film and television industry. It will have an appropriate theme park to be built by

the people involved in the production of the Star Wars series in the United Kingdom. It will have post production facilities to cater to the needs of computer animation, a business which the Multimedia Super Corridor project has already attracted.

18. As you can see Malaysia is preparing itself for the Information Age. As with the electronic industry, when we have no technology, capital or market, we are willing to open our country to foreign investors. It is not a small achievement for an agricultural country to become one of the biggest producers of things electronic in the world. I believe we are the third biggest producer and exporter of microchips in the world.

19. Now we are aiming to be a major player in Information Age industry. For this we will welcome with open arms foreign investments. Those who have experience doing business in Malaysia know that we are ever willing to listen and to act to meet the multifarious needs of foreign investors. And so the Multimedia Super Corridor is created to become a giant test-bed for the soft and hard products of the cyber age.

20. But we are orthodox in our belief regarding business. We think that business should not be a zero- sum game. We do not want to lose so our partners will gain nor do we want to see our partners lose so we may gain. We believe in a quaint philosophy that we should not beggar our neighbours but rather prosper them. We believe that the more we help our partners to prosper, the more prosperous we will be.

21. When foreigners invested in our country, even if it is merely to create jobs, we became prosperous. Because we are prosperous we become good markets for the products of the country investing in our country, even for the products of the investing companies. Our prosperity is good for our partners and vice versa.

22. That is why we do not like currency traders. They contribute not at all to our prosperity. Worse than that they destroy our wealth in order to make just a fraction of what they destroyed as their profit.

23. During the currency turmoil caused by the attacks on our Ringgit and the Malaysian share market we lost approximately 200 billion US Dollars. I doubt if the currency traders made more than 10 billion US Dollars from their almost clandestine activities. The currency traders destroy much wealth in order to make a relatively small profit for themselves.

24. When Malaysia was prosperous it was a good market for the products of the world, including those from America. When you destroy your market you must lose in the end. That is what the currency traders and the short term investors did to your market. I hope one day someone honest would sit down to quantify the losses suffered by the countries of Asia and the world as a result of the abuse of the free market by the avaricious financial manipulators, and the profits these manipulators made.

25. I believe that stability and predictability is good for business. It is not good

only to gamblers. Malaysia tries to provide this environment. In our dealings with investors we never make sudden reversals or 180-degree turns in our policies. That is why we decided to have selective capital control. You will find doing business in Malaysia will no longer be a gamble, nor will you need hedging. It should keep your cost down and make budgeting easier.

26. It is sad that as we approach the end of this century the world is not very much better than when we entered it. The world finances are in a mess. The disparity between the rich and the poor is much greater. Technology has made tremendous strides but the people making use of these new technologies are still not much more advanced. Misuse and abuses are rampant.

27. All over the world we see injustice and mayhem. And we seem quite unable to handle these now any more than before.

28. The greatest need in the world today is understanding. This requires some restraint on the part of everyone. Unrestrained and uncalled for criticisms of others will not contribute towards understanding each other. It would be difficult to do business if we don't appreciate that other people may do things differently. If we do appreciate, then understanding each other would be easy.

29. I hope that the Malaysia-US Business Council will help foster understanding of each other. I do think it will be good for business between Malaysians and Americans. It may even be good for Malaysia-US relations generally.