

The Official Opening Of The Third Asia Africa Forum (AAF III)

The Palace Of The Golden Horses Hotel Sg. Besi, Kuala Lumpur 23 May 2000

Let me on this occasion welcome all the participants to the Asia Africa Forum III (AAF III) and to Malaysia. While the Tokyo International Conference on African Development (TICAD) process and the Asia Africa Forum facilitated exchanges of experiences between Asian and African countries on many aspects of development, we now have to prepare ourselves to face and deal with special challenges and dangers arising from new ideas about the structure of the world's economy, world trade and international finance. Most of all we have to deal with the self-declared right of some countries to interfere in the affairs of other countries.

2. The Asia-Africa Forum III, is therefore crucial for the representatives of our two continents to seize the opportunity to exchange ideas on our perceptions of the things to come and how we propose to deal with them.

3. Allow me now to share with you Malaysia's experiences in the two areas, which are the focus of the Forum, namely, private sector development and agricultural development.

4. Experiences in Asia indicate that effective development requires a careful balancing of the roles of the Government and the private sector across a broad range of policies and actions. While there is no magic formula on the correct mix of policies that will ensure development at all times for all places, there is recognition that Governments need to provide political stability, guidance, legal framework, policies, infrastructure, investment incentives; in short, promote a predictable and attractive climate for enterprises in the private sector to flourish. The private sector can then play its part by efficiently producing and trading in goods and providing the services needed by society and of course enriching the people.

5. Since the early 1980s, Malaysia had stressed that this country will rely on the private sector as the primary engine of economic growth. We had lost faith in state enterprises. But our fledging private sector could not fully respond to the challenge. We had therefore to rely on foreign private investments. However, by 1988 the local private sector bloomed and the economy expanded at an average annual rate of eight per cent. This high growth rate would have continued if not for the manipulation of our currency by currency traders. For almost one and a half years we struggled to find a solution to this problem.

6. Through good and difficult times Malaysia emphasised on a strong public-private sector partnership. The groundwork for this co-operation was laid in 1983 when the Malaysia Incorporated concept was introduced. Broadly defined, Malaysia Inc. as it is referred to, perceives the whole country as a giant corporation in which the Government and the private sector and the workers work and cooperate in order to achieve maximum returns. By efficiently processing all bureaucratic procedures involving business activities, profits could

be maximised. Since the Government gets 28 per cent of the profits by way of corporate tax, Governmental cooperation pays. Workers get better incomes and since Government revenue is also spent for the benefit of the people, everyone benefits from the Malaysia Incorporated concept.

7. Another key approach is privatisation. As with most Governments, the Malaysian Government is not efficient when it comes to exploiting the profit potential of its many companies, departments and agencies. The private sector does this much better. The Government does not sell all the shares but retain some in order to gain from the expected profits and also to benefit from capital gains by selling later. The important thing is that the Government does not interfere with good management.

8. Malaysia's privatisation does not involve selling Government assets to foreigners in order to get foreign exchange to settle debts. We sell largely to Malaysians though we do allow for a certain percentage to be sold to foreign investors, especially strategic partners.

9. The result of privatisation has been gratifying. Where before we had to make budget allocations yearly to these Government entities, now we don't have to. Instead we actually earn considerable dividends for the Government and make considerable capital gains. Not having too much foreign equity means less outflow of funds from the country.

10. For the people, there is better service and better infrastructure. The good expressway system that you may have noticed is an example of the kind of benefits the people get from our kind of privatisation. There is no way for the Government to provide all these because apart from being inefficient, Government has to wait for revenue increases before borrowing for infrastructure projects.

11. However limiting factors must be recognised. If the private sector is not strong and efficient we may end up having to re-nationalise. In some cases it is better to invite strong and capable foreign participation in order to minimise failures. Such a need should not involve outright sale because if you do this the profits will just flow out.

12. Privatised entities must be supported, even subsidised by the Government. This is not because we want to help the investors make profits but because we do not want the people to pay too much for the services they receive. It has to be remembered that the Government is still collecting various taxes from the people and they are therefore entitled to pay less than the actual cost of the services they receive. Transferring assets which give no return to the Government is not a big sacrifice but it helps in reducing capital costs.

13. In the case of toll expressways, the Government sold the completed portion at below cost so that the total cost of the expressway is lowered and toll rates are low. Selling Government assets at market price will render the services costly, making charges for public use high and probably end up in major losses

and failure as usage will be low. Privatisation will become unpopular and so will the Government.

14. In the Information Age, societies must be information-rich and inventive in the application of information. While we should welcome the opportunities for new businesses, we may also lose much because of some of them. Take Amazon.com the founder of which is Time' s Man of the Year. You can buy practically anything you want from Amazon.com and it will be delivered at your doorsteps by international courier operators. The price would be very low because the company orders in bulk and gets the best rate for delivery by competing couriers. Obviously consumers everywhere will benefit.

15. The down side is that local importers, agents, distributors and retailers will be put out of business. The Government will earn no tax from these businesses or from import duties. Jobs will be lost by the millions. 16. The producers of goods and suppliers of services will have to accept less and less profit. For the production workers there will be less pay. Probably production will have to shift to low wage countries resulting in loss of jobs in high wage countries.

17. While the shares of manufacturing and service companies will depreciate, those of Dot.com companies will appreciate a hundred fold, creating a sense of wealth. If the companies collapse there will be no assets to distribute. The original founder may have taken his capital gains already and a lot of investors who had bought at high prices will find themselves left with useless virtual wealth.

18. The producers of goods and services find difficulty in raising capital and low share prices and low profits may make the manufacturing industries unattractive. The investors will sell out in order to invest in dot.com companies. In the end there may be no goods to sell.

19. Information can enrich us but without rules and laws it can impoverish us and destroy us. So don' t be too ready to accept everything done in the name of globalisation and the free flows of capital and goods, that the Information Age is supposed to make inevitable.

20. Malaysia' s experience with agriculture is no different from those of other countries. We need agriculture because we need food for a growing population. But there is only so much that we can produce ourselves. We have to accept the need to import. To import we need money. But agriculture earns less foreign exchange than manufacturing. It provides less jobs. It does not enrich people. It is subject to price manipulations by speculators and their futures trading. Prices can plunge overnight leaving our people destitute.

21. For Malaysia agriculture involves tree crops i.e. industrial agriculture like rubber and oil palms. Cost of production must be as low as possible and margins must be as high as possible. If there is a price collapse our profits will be reduced but we will not lose. Our competitive advantage in terms of soil and climate must be fully exploited. And when a commodity looks like losing demand

for whatever cause, we get out of it. Now we are busily getting out of rubber, preferring to import it rather than producing ourselves.

22. In the space of 42 years of independence we have formulated three different agricultural policies. We do this in response to market demand. We have to be agile. Today we are using high technology to grow more food for our own consumption and for export. We are more and more into aquaculture and breeding of selected animals. We are changing from monocrops to mixed farming and crop rotation.

23. We now import almost three billion Dollars of food but we export two and a half billion Dollars.

24. New strategies have been developed for agriculture. Our experience is that big modern estates do better than small farms run by individuals. We cannot close down or amalgamate the small farms but we can have a nucleus of big farms with small farms as satellites, using the facilities of the big farms. In any case, the children of the small farmers are now better educated and are giving up farming. Eventually farms in Malaysia will be large efficient estates. In preparation for this, our universities are offering courses in mix-farm management. We hope to be able to deal with the success of our educational policy and the migration from the farms to the towns.

25. Malaysia is a trading nation. Trade involves not just exporting but also importing. We have always tried to produce less food than we consume. We produce only 65 to 70 per cent of the rice we need. Thus we are able to import from our neighbours and to sell to them what we produce. The devaluation of our currency by rogue traders increases the Ringgit cost of our imports but it also increases the Ringgit earnings of our agricultural exports. The balance is precarious but by carefully monitoring and controlling prices, inflation has been held reasonably low. It is a factor which enables us to fight against economic depression and help the recovery and return to a growth path.

26. We have recently revised our National Agriculture Policy III targets and approaches to ensure that the food sector contribution to GDP increases from three per cent or 6.1 billion Ringgit to six per cent or 12.5 billion Ringgit. The new approaches will be centered on transforming the pre-production, production and post- production processes and will be consistent with our K- economy drive. It involves big scale production and mechanisation, private sector participation and will be technology and knowledge intensive. What we have learnt which can be of relevance to African countries is the need to effectively balance between various sectors, between industrial and food crops to ensure the long term sustainability of the sector, self- sufficiency and more importantly, to protect the interest of the people involved.

27. Our approach hitherto has been to exchange experiences. We should now move forward to forge smart partnerships that will lead to a win-win situation and the betterment of all. This forum should therefore look at ways and means to foster more trade of goods and services between Africa and Asia. We may need

to introduce innovative approaches and dismantle existing barriers. We could also enter into more Bilateral Payment Arrangements, consider inter-regional trade arrangements, intensify trade promotional efforts, use currencies other than U.S. Dollar to effect settlements and adopt counter trade.

28. It is essential that we put our act together as the global economy is now iniquitous. The disparities in income and lifestyles between the rich and the poor have reached unprecedented proportions. Some eighty percent of the world GNP is concentrated in industrialised countries and the poorest twenty per cent have only a share of 1.4 per cent of the world GNP. Globalisation ideologues propagated that those countries which open up will experience such dynamic economic development that, within the foreseeable future, the world will see a convergence between the rich and the poor. This is far from what is happening. On the contrary, it was reported that the richest two per cent of the world population, which in 1960 was 30 times better off than the poorest twenty per cent, are today 61 times better off.

29. Based on our own experiences recently, we do not share the optimism that globalisation will automatically solve development problems. We see powerful processes that continue to marginalise many countries of the South. We see the adverse social and economic consequences brought about by the twin forces of globalisation and liberalisation adding to the burdens of the South. For poorer countries, globalisation and liberalisation have meant opening up to foreign imports and finances which can displace local enterprises and businesses. Unless the interpretations of globalisation and liberalisation are changed we think the poor will not only lose more but they would virtually be colonised again.

30. We must not allow the uncontrolled spread of globalisation and their negative consequences to affect us. Governments and international organisations must assume an active role in controlling and regulating the globalisation process, making it more socially accountable. Placing all the blame of the recent crisis in the East Asian economies on their governments is wrong. A large part of the problem lies in the international structures, where there is an absence of mechanisms for fair, equitable and just global governance.

31. Globalisation and liberalisation should not mean neglecting the interests of our people and our countries. The weak and the poor countries should have an effective role in the formulation of this process. Developing countries have vast experiences, both good and bad. Many of us have experienced the benefits of foreign direct investments. Some of us have also seen how nations can be impoverished overnight. Surely, with our experiences, we can help shape a globalisation that benefits all, where wealth is more equitably distributed between the rich and the poor.

32. Developing countries by definition are poor, some are very poor. Alone we can do practically nothing to help ourselves. Most of us are under the control of agencies like the IMF or the dominant powers in the world. Their creditor role has forced us to submit to policies, which make us permanent debtors. There seems to be no future for us.

33. But if we act together we may yet be able to influence the processes, which affect us. There are among the rich and the powerful some sympathetic elements who are either genuinely sympathetic towards us or can make common cause with us for their own vested interests. We saw this in Seattle and at the World Economic Forum in Davos. If we work with them our clout would be leveraged.

34. The new capitalists are more powerful and less considerate. They are backed by their powerful Governments. Where once Western Governments used to abhor monopolies, they are now encouraging the formation of cartels and oligopolies to dominate the world. Each one of their mega entities is bigger in terms of capital than any of us developing countries.

35. As you will have noted, the rich countries of the North are ganging up while their corporations are merging to form huge specialised companies. We on the other hand, are greatly divided partly because we don't seem to know how to work together but mostly because the super powers actively prevent us from cooperating. A glaring example is the proposed East Asia Economic Community. The U.S. made it clear that it does not approve and so it cannot be formed. Now the U.S. is even opposing the setting up of the Asian Monetary Fund for fear it might undermine the IMF and therefore U.S. hegemony. Fortunately, we can still talk to each other as we are doing now. We can therefore learn from each other. Malaysia has learnt a lot by studying other developing countries and we stand ready to open our books to interested developing countries. We had looked East, looked at South Korea, Japan, Taiwan and even colonial Hong Kong and learnt much. Africa can learn much from looking East also.

36. Finally, I would like to commend the Japanese Government, the United Nations and the Global Coalition of Africa for their significant contributions in organising this conference. I hope and pray that the Asia-Africa Forum III will result in greater understanding among us of the challenges that lie ahead and the need for greater collaboration among the countries of our two continents.