

## **35th IGM Of The Pacific Basin Economic Council (PBEC)**

Mandarin Oriental, Kuala Lumpur 6 May 2002

"STRIVING FOR GROWTH IN A CHALLENGING ENVIRONMENT"

It is a pleasure for me to be here today to address such a distinguished gathering of business and Government leaders at this 35th International General Meeting of the Pacific Basin Economic Council. I am delighted that Malaysia has been given the honour to host this IGM for the second time since 1994 and I welcome all of you to Kuala Lumpur.

2. We live in challenging times. The world as we know it has forever been changed and made worse by the harrowing events of September 11. We risk our world plunging into more chaos as the Israeli-Palestinian conflict escalates. Uncertainty reigns as the invasion of Afghanistan sets a precedent for other states to be invaded because of some reasons or other. In India and Pakistan, China and Taiwan, brother confronts brother. Elsewhere, financial upheavals, environmental and natural disasters, criminal acts and white-collar crime -- make headline news. Amidst all this confusion, uncertainty is the only certainty.

3. I for one do not envy being a business person in this environment of uncertainty that has inevitably led to a loss of investor and customer confidence. We all wish for things to return to normal; to the days when business was simply business and external factors did little to influence the course of business. Alas, we have to come to terms with the fact that business and politics and terror and the rights and wrongs of human society worldwide are inextricably mixed.

4. The challenge for businesses the world over then is to rebuild investor and customer confidence. The 35th IGM of PBEC thus becomes an important forum for business leaders and key Government policy-makers to share views and formulate policies that will impact positively on trade and investment, not only in the Pacific Basin's economies, but also the global economy.

5. This IGM's theme "Striving for Growth in a Challenging Environment," is timely and one that I believe will help strengthen the resolve of businesses and Governments to meet the many challenges ahead of us.

6. As you prepare to tackle the seemingly insurmountable tasks before you, allow me to offer my perspective. How do we go about rebuilding investor and customer confidence? 7. Firstly we need to recognise that business unusual is the

order of the day. And that extraordinary circumstances call for out-of-the-ordinary measures.

8. For example Malaysia's stance during the 1997 Asian financial crisis. When the Malaysian currency was manipulated and devalued, we correctly attributed it to the failings of the international financial system and manipulation by rogue currency traders. Malaysia lost USD 300 billion, so that the unscrupulous currency traders could make at the most USD5 billion profit. Destroying USD300 billion to make USD5 billion is not business, it is a crime. More would have been lost, had we not acted quickly. We rejected the orthodox formula and devised our own solution to the problem. We went against the IMF's advice and imposed currency controls, reduced interest rates and increased liquidity. We were condemned by almost everyone who said that our economy would spiral downhill. The fact that it worked did not endear us to many.

9. Today only those who are blind, refuse to acknowledge that we have recovered better and faster than those who applied the recommended formula. Of course, we have not been immune from the performance of the world's economy, insulated though we try to be. But our choosing to implement out-of-the-ordinary measures has helped us recover a lot quicker than most others.

10. The road to economic recovery has not been an easy one. The path we have chosen to tread has not always been the most popular nor deemed by many to be the wisest choice. Yet, we have managed to counter the critics and prove them wrong.

11. The secret to `our success`, if I may call it that, has been our ability to look beyond the existing measures, mechanisms, systems, practices and rules, and to embrace the out-of-the-ordinary. We have not been afraid to throw away the old measures and embrace the new, untried and radical though it may be.

12. People know that there are many ways to skin a cat. We have chosen the unorthodox way and the cat has been neatly skinned. The method does not count. The result counts. As Deng Xiao Peng said, "It does not matter if the cat is white or black as long as it catches the mouse."

13. Today, the Malaysian economy is one of those economies that is on the path to recovery.

14. We anticipate that our economic recovery this year will be modest and gradual. Our economy slowed to 0.4 per cent last year, but we expect it to accelerate to 3.5 per cent

this year. I must admit though that applying unorthodox methods alone won't work. A good crisis management team and sound fundamentals from prudent management also help.

15. With the advent of the Internet and unlimited real-time communications, our vast world of many disparate villages is fast becoming a global village. With borders coming down everywhere, there is a need for the inhabitants of the many different villages to learn to interact fast for the common good. All must admit that times have changed and that we cannot be isolated or insulated against events happening elsewhere. We need to understand and respect the differences between us and the way we do things. In the global village much will be standardised but some essential character and cultural differences will remain. Failure to appreciate this will result in unnecessary turmoil and strain which will affect our overall well-being.

16. Organisations like PBEC with their diverse economies, business environments and cultures are in a unique position to help facilitate the education of the global villagers. They have a rich source of expertise and experience of dealing with each other which will lessen the impacts of change and uncertainties. Always we must be prepared for adventure, trial and experiment. We have to be judicious and prudent of course.

17. Malaysia's control of the exchange rate was not the product of anger. We have been using unorthodox methods frequently since independence. Thus when newly independent countries were busy nationalising foreign holdings, we invited foreigners to come and invest in our country. When citizens of different races were fighting to dominate each other, we were formulating an acceptable system of power sharing between races. When extreme disparities divide the races we invented what is later known elsewhere as affirmative action, and we tried many more unorthodox ways to tackle problems.

18. So two decades ago, when everyone was looking West we decided to look East. Japan and Korea were almost completely destroyed by war and yet they not only recovered but quite obviously they were going to be powerful economies. There must be something right that they did and we wanted to know that and to copy their ways. I will not elaborate on what we did but I think you will agree that we benefited from looking East.

19. Socialism and communism were great ideas some 90 years ago. Equality was everything. If you have to kill and to rob others in order to achieve equality that was fine. But today

we are not interested at all in equality although we may still protest that we are. We believe now in cut throat competition and the winner takes all principle. Too bad if you are small and weak and you lose.

20. The world is too small now for division into independent countries. We must think of the globe as one entity. We must globalise. No one is against this inevitability. But must globalisation be confined to the free flow of capital only?. Even within a country capital does not move absolutely freely. There are rules and regulations and laws governing capital, designed to curb the avaricious and protect the less financially endowed. People with capital in any country must be accountable. They may not gang up in order to destroy and take over and monopolise businesses around them.

21. We in Malaysia are not against globalisation. Foreign investments and free trade have contributed greatly to our nation's growth. We remain committed to them. But further market liberalisation and globalisation must not mean anarchy in which giant banks and corporations conspire and ride roughshod over everyone in their quest for profit. Liberalisation need not mean total deregulation. There should be sufficient policy and regulation to ensure fair trade and consideration for the well being of people in general.

22. Malaysia is concerned with the equitable sharing of the benefits of globalisation. The process should neither be dictated, nor the pace forced, by any one group in our global village. It is imperative that all who inhabit this globe be allowed to undertake progressive liberalisation and build capacity to benefit from the opportunities of globalisation. Global trade rules should be strengthened with the aim of providing a predictable, fair and stable multilateral trading system. Rules however should not be created and compliance ensured which can erode the competitiveness of up-and-coming countries like Malaysia or indeed any country.

23. Globalisation should not be for the sake of globalisation. It should be an instrument for the betterment of humankind. We have seen too many ideologies and systems that held great promise at first, only to destroy countries and people because the ideologies became the objectives rather than the means they were intended to be.

24. It is sad that in this day and age, we still find in our little global village, people who are extremely poor while some are so filthy rich. Yet, we talk so much about human rights and social justice. It is hypocritical in the face of the extreme disparities in the well being of people in the so-called global village.

25. We must avoid falling into the old trap of believing that systems or ideologies on their own can resolve human problems. When we put too much faith in such things, we will forget the reasons why the systems were formulated in the first place. Systems and ideologies are devised because they are believed to be able to right current wrongs and bring benefits to the practitioners. Unfortunately once they are accepted, they become so sacred that even if the results they deliver are worse than the situation they were supposed to remedy, they must still be upheld, defended and practised. At that stage if anyone dares to go against them he will be regarded as a heretic and literally, quite literally burnt at the stake.

26. Globalisation has already shown signs of becoming a religion that tolerates no heresy. This is rather unfortunate, for globalisation, if properly interpreted and regulated, can bring about a great deal of wealth and benefit to the world, the rich as well as the poor. The important thing is to focus on the results rather than dogma. If the results are good, then by all means implement it, but if the results are bad for anyone, then globalisation must be re-examined, reinterpreted and modified until the expected results are achieved. The important thing is the end not the means.

27. Our hope is that in the face of impending globalisation, the member economies within organisations like PBEC, will work together to interpret and reinterpret globalisation, so as to implement it with the results in mind. The PBEC must never be globalisation fanatics, and force through the concept irregardless of the pain and misery that it brings about.

28. As we work towards rebuilding investor and customer confidence, we must learn to reinvent ourselves in the face of uncertainty or change. If we have to we should not hesitate to go back to what had worked before. A Malay proverb says that if you have lost your way go back to the beginning and begin all over again. That we have lost our way somewhat is quite obvious. The financial crisis of Asia, the inability of Japan to recover, the Argentinean financial collapse and the failure of giant corporations such as Enron, Global Crossing and others are ample evidence that the present system has not worked well. We should be willing to admit this and to seek new ways or to go back to the old ways until better ways are devised.

29. The old ways is not all about corruption, cronyism and lack of transparency. Japan for example was vilified for the close working relations between the Government and the

private sector. The term Japan Incorporated was coined as a derogatory description of the allegedly unhealthy practice. South Korea too built its huge chaebols through Government / private sector cooperation.

30. Malaysia deliberately adopted this practice and openly called itself Malaysia Incorporated or Malaysia Inc. We do not see why we should not adopt this approach seeing that the Government has a right to 28 percent of the profit by way of corporate tax alone. There are other taxes which the Government enjoys when businesses flourish and succeed. When business fail we stand to lose a great deal. In helping the corporations to make a profit we, the Government were simply helping ourselves. Since Government spends a big portion of its budget on the public, we believe we were helping the people as well.

31. It is strange that the people who condemn Government / private sector cooperation are not hesitant about asking the Government to give privileges and incentives to sectors such as foreign direct investments. We know for a fact that rich countries offer free land and funds to companies locating their plants in their countries. Even local Governments do this for chosen companies. With this kind of Government support from rich countries, it is difficult for poor countries to attract foreign direct investments even though their labour cost is low and they provide tax incentives.

32. Why is it wrong for Government to favour local companies when it is right that they favour foreign companies? If helping foreign companies is not cronyism, then why should helping local companies be considered as cronyism, be considered as unfair business practice and negates fair competition? If bailing out businesses is bad, then LTCM etc. should have been allowed to go bankrupt, whatever the consequences to a country's finances. If transparency is how business should be conducted then let the hedge funds and currency traders reveal their sources of fund, how and with whom they trade and whether they really own the money they sold supposedly because they fear devaluation.

33. The fact is that Government has a role in business and helping business to succeed is not something that only Japan, Korea or Malaysia Incorporated are guilty of. European countries are guilty of this at one time or another or at all times. It may be official or it may not be but cooperation between Government and the private sector is the norm rather than the exception for everyone.

34. Malaysia believes in prosperity for everyone. When a country is prosperous everyone and every country will

benefit. When Japan invested in Malaysia, we became prosperous. Japan and the Japanese companies profited from these investments but in addition Malaysia became a good market for Japanese products. It did not end there. Malaysia learnt how to produce what the foreign investors produced and in turn began to invest in other countries, which in turn became prosperous. Of course Malaysia gained from these investments small though they be.

35. What is clear is that helping others to prosper also help oneself to prosper and generally contribute towards prospering the world.

36. But when because of greed countries are impoverished, then everyone will be impoverished in the end. Thus by devaluing Malaysia's currency and pulling out short term capital, Malaysia lost almost USD300 billion. The depression that followed reduced the countries' ability to buy the foreign goods that it needs. The suppliers of those goods in the rich countries suffer. Boeing could not sell its jumbos and Boeing workers had to be laid off. The suppliers of parts and raw materials to the big corporations in the rich manufacturing countries suffer. The sale of microchips and electronic products go down. A downturn followed in the richest consumer country, which in turn led to a worldwide depression. Of course the poor countries suffer the most. Even the avaricious currency traders eventually lost some of the money they made as their investments turned sour.

37. What is clear is that it pays to prosper others. Let Governments and the business community be conscious of this. There is nothing sacred about the freedom to destroy the wealth of others in the name of free trade. It is about time that we realise that freedom is only as good as the well being and safety that it delivers. If it fails to do this then freedom must be curbed to ensure that it is not abused by the strong and the wicked to actually deprive the weak of their freedom.

38. In striving for growth in the challenging world of today we must not be bound by any system or ideology to the point where we strap ourselves and become unable to do the right thing. We must be free to do what is best in order to achieve results. If we have to take one or more steps back in order to move many steps forward then we must be prepared to do it. If we take a wrong turning, if we lose our way, then do not be afraid to admit that we have lost our way and we have to go back to the start. We must not be carried away by the thoughts of armchair theoreticians and their catchphrases, people who have never really managed anything more than

getting their books out. Nor must we allow ourselves to be influenced by sensational reports.

39. The Government and the business community must have more faith in their own judgements. There are mechanisms for dealing with Governments which fail as there are for businessmen and business which fail. Systems will not save them but understanding of the realities of life and devising ways of dealing with these realities without being constrained by orthodoxy will help and will save.

40. If I may say so you are meeting at the right time to discuss the right issues. I hope that you will allow yourself the freedom from the constraints of orthodoxy to find ways of achieving growth in these challenging times.

41. With great pleasure I now declare the 35th International General Meeting of the Pacific Basin Economic Council officially open.