

SPEECH BY: DATO' SERI DR. MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: AT THE ANNUAL DINNER OF THE NATIONAL CHAMBER COMMERCE AND
INDUSTRY

VENUE: EQUATORIAL HOTEL, KUALA LUMPUR

DATE: 02 DEC 1983

TIME:

Dr. Nawawi Mat Awin,
Presiden NCCI;
Dif-Dif Kehormat;
Tuan-tuan dan Puan-puan.

Saya berterima kasih kepada Jawatankuasa Kerja Dewan
Perniagaan dan Perindustrian Kebangsaan Malaysia, atau NCCI,
kerana menjemput saya ke Jamuan Makan Malam ini.

2. Recently, Bank Negara issued its report for the 2nd
quarter this year and revealed some heartening economic
indicators. One of them is that we have achieved a trade
surplus of \$603 million for the period. Compared with a
deficit of \$308 million in the first quarter of this year
and a higher deficit of \$805 million in the corresponding
period last year, this is surely a bit of relief to us. I
hope this good sign will continue not only for the remaining
quarters but also for the following years. It is a healthy
trend which hopefully will take us out from the recession.

3. However, the old story of Malaysia incurring deficits
in the services sector is continuing. This is the area
that the Government has been harping upon from time to time
for improvement, to help reduce the deficit, if not achieve
surpluses. I have expressed this sentiment when addressing
the 7th Malaysian Economic Convention in Kuala Lumpur early
this year. Slightly more than half of our GNP is from
exports as Malaysia is basically a trading nation. But a
great deal of the trading services are dealt by foreign
business enterprises and businessmen. This includes
freight, insurance, and other forms of transportation.

4. Our traders have the habit of choosing the most
convenient way, that is by the use of middlemen, and
exporting their goods on f.o.b. basis. This has made life
easier for our traders for they don't have to do the
marketing, contacting importers and taking heavier risks.
The net result is a deficit in our invisible trade. And of
course, the consequence is that our capacity to expand trade
becomes limited because we really do not know the people who
are in the market for our goods. We only know the
middlemen. Likewise, despite the huge amounts of goods that
are shipped in and out of Malaysia, we do not have a sound

shipping and insurance business.

5. The Government is not only hoping, but has been doing its best to see that the deficits in invisible trade decline. Besides the measures taken in previous years, the recent budget is another testimony. The Government has made as liberal as possible the incentives for shipping. The budget has given tax exemptions on the whole income of a shipping enterprise derived, or deemed to be derived, from the operations of Malaysian ships. This is just an example of the Government's effort to strengthen the national fleet which will contribute positively to improving our balance of payments.

6. When the Government is doing its best, traders and exporters should also do their best to restore the balance of payments in our favour. Towards this end, they should make every effort to trade directly with importers, and they should engage and use more of our trading facilities. In this context, I am sure the NCCI and its affiliated Chambers may be able to play a role.

7. The Government is also encouraging the establishment of sogososhas and I am happy to note that at long last they are showing signs of taking off. Although it is not yet up to expectations, the establishment of such trading enterprises will surely help to promote more aggressive direct trading in our manufactured goods and commodities. It is the task of our sogososhas to establish themselves as creditworthy and credible intermediaries in all transactions involving both exports and imports into Malaysia. They should help develop the kind of services that are presently being provided by foreign countries.

8. In Malaysia, the people are used to blaming the systems and regulations for whatever hardship they encounter. To me it is the quality of those manning these systems that determines the results. There will always be constraints whatever the system. Members of our business community can overcome them given the right attitude and perseverance. The reason why Malaysian traders do not make their presence felt in other countries is because they dislike dealing with strangers in a strange environment. At home, no matter how difficult things are, they feel comfortable because they are dealing with familiar things. If the business community in Malaysia is not willing to face the discomforts of the unfamiliar, then Malaysia is not likely to overcome her problem of balancing the service accounts.

9. Here I would like to read to you an extract of a report by the Council on Malaysian Invisible Trade.

10. On the Balance of Payments position from 1961 to 1982, the report said:
"Malaysia's balance of payments position has been favourable for most of the last two decades on

the strength of the surplus on its merchandise account. The services accounts, however, has always been in deficit and has been rising rapidly from the late 1970s. This persistent and growing services account deficit resulted in current account deficit in most of the last two decades, and especially large deficits of \$5.5 billion in 1981 and \$6.2 billion in 1982".

11. Of the invisible, freight and insurance, the transportation and travel make up almost 3 billion dollars of the total deficit in 1982. It would seem that as our trade increases, the services deficits will increase at a rate that seems greater than the increase in the value of trade.

12. If the Government is seen as desperate in promoting higher export and accelerated trading overseas, I may say it is. The Government has gone to the extent of promoting counter trading with several countries in Europe and Latin America. This mode of trading will be aggressively promoted and a few public agencies have successfully arranged for their purchases of equipment to be balanced by the counter purchase of our commodities of approximately the same value. Of course such counter trading arrangement must be additional to the existing volume of trade. The mere switch from cash purchase to counter trade will give us no net gain. Indeed it will represent a loss in terms of foreign exchange earning.

13. While addressing you last year, I said that the recession was a godsend. The recession can be regarded as an opportunity for us to toughen ourselves and to be more productive. The recession has enabled our drive for higher productivity to be off to a good start. More Malaysians, if not all of them, are cultivating the spirit of hardwork and diligence. We are introducing into our system, both private and public sectors, more equipment and techniques to increase productivity, but without hardwork and diligence, these equipment and techniques will be of no benefit. As such, hardwork must be inculcated and cherished as one of the noble values within our society.

Ladies and Gentlemen,

14. We have sent trade missions overseas, established trade commissions in certain capitals and taken other measures to promote the export of our commodities and products. There are also avenues at home which can assist us to accelerate our promotion efforts, one of which is to catch foreign VIPs visiting our country. I do realise that NCCI has entertained and talked business with some missions visiting this country. However I am yet to hear your Chamber making the same approach with visiting Presidents, Prime Ministers or leading figures, directly or indirectly involved with trade. If I may illustrate, your counterparts in Japan and South Korea will take any opportunity to entertain to

luncheons or dinners and talk of business opportunities with visiting dignitaries. This will go a long way to promote their exports. There will always be some follow up if the top is interested in anything to do with trade.

15. The NCCI in this case may establish communication with Wisma Putra to bid for a time to meet any visiting Prime Minister, for instance. It does not mean that you will be successful all the time, but I am sure sometime, somehow Wisma Putra can arrange such a meeting. Wherever possible, the visiting dignitaries should be invited to address you. Your Chamber has to be sensitive to the issues brought up and plan for follow up actions with your counterparts in that particular country.

Ladies and Gentlemen.

16. There has been some talk lately of a constitutional crisis in the country. I will not say that we don't have a problem. We do. But there is no cause for alarm. The Government will not allow any kind of activity that may disturb the stability of this country. Efforts are being made to solve the present impasse in an amicable manner. We have no doubt that good sense will always prevail. I would advise you not to read too much into the utterances or behaviour of politicians and others. This is a democratic country and people will want to have their say. But law and order is valued in this country and things will not be allowed to get out of hand. You can be assured that you can go about your business without fear or trepidation.

17. Lastly, I would like to express again my gratitude to the NCCI for inviting me to this dinner. I wish you all the best in your future endeavours.