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( PRIME MINISTER )

EVENT: A LUNCHEON

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Ladies and Gentlemen,

It is an honour and pleasure for me to be here today to address so many distinguished businessmen from this great city of Chicago and also from various parts of Midamerica, one of the centers of wealth, industry, population and culture. I remember my first visit to Chicago in 1977 in my capacity then as Deputy Prime Minister when I met a group of very fine people, arranged by the Midamerican Committee, who were very keen to know about Malaysia. I am happy to be back again today to address this distinguished gathering.

2. Malaysia is hardly known to the average American. Indeed its location is not very clear to most, so that even sensational news about it is dismissed as one of those things typical of underdeveloped countries. Nevertheless Malaysia has been lumped with 12 other countries and labelled "the Great 13s", that is the 13 nations accused of dumping textile products in your country. Actually our export of textile products to the United States hardly takes up 1 percent of your textile market. The publicity we are receiving is the wrong kind of publicity but we are still grateful since it attracts attention to us. We need that attention because our policy is to encourage foreign involvement in our economy. We are not talking about aid. We are thinking of investments and two-way trade. And you cannot invest or trade with us if you do not know that we exist and where we are.

3. Malaysia achieved independence in 1957 with an economy almost wholly dependent on the export of rubber and tin. Since then, we have broadened our economic base by diversifying into other export products including palm oil, cocoa, pepper, hardwood, timber, crude oil and more recently industrial products. In terms of primary commodities Malaysia supplies 42 per cent of the world's natural rubber, 36% of tin, 80% of palm oil, 20% of hardwood timber and 33% of pepper. We are proud of these achievements, but diversification into these primary products has not solved our economic problems adequately. Commodity exports are vulnerable to the rapid fluctuations of international market prices, determined by market forces which often consider the producers as irrelevant.

4. Naturally, like other developing countries and newly

industrialising countries, Malaysia has no alternative but to diversify into manufacturing. Of course, the easiest way for us to start is to establish import-substituting consumer product industries. Due to our small population however, such industries soon become fully extended. To supplement our earnings as well as to reduce our dependence on primary commodities, we have decided to go into manufacturing. With our vast natural resources and a pool of highly trainable and educated labour force, we do have decided advantages in a number of manufacturing industries. Thus it was that we decided to go into the production of microelectronic components early in the seventies. Our workers and engineers soon became so skillful that they not only produce the microchips but they even design and produce some of the finished products as well. For example, in 1983 Malaysia's total export of microchips and related products was \$3,882 million Malaysian ringgit or US\$1,658 million.

5. But the production of microchips taps only our skilled personnel. We have other resources such as rubber, tin, palm oil, timber, etc. We are very keen to add more value to these raw materials before we export. We cannot do this all by ourselves. We need the expertise in manufacturing and marketing which are available in foreign countries. We are therefore encouraging foreign investments in Malaysia. This is not a new policy. We have always welcomed foreign the exploitation of our natural resources as a base for manufactured products for export.

6. In order that foreigners will invest we are prepared with a number of incentives in the form of tax-holidays and others. But we want to be honest about it. We are not doing this entirely for the benefit of foreign investors. We want to reap some of the benefits. And so there are certain conditions for foreign investments. They are not onerous. Indeed they are negotiable. We are prepared to examine sympathetically each and every case and you can be rest assured that we will try to accommodate you as much as possible.

Ladies and Gentlemen,

7. From what I have just said you can conclude that Malaysia is a very liberal country when it comes to foreign involvement in its economy. We have always had this attitude. We are consistent and predictable. I am sure this predictability is a plus for those of you who have had experience in investing in foreign countries. What is more, Malaysia is in South East Asia, an area of growth that cannot be matched by any other region in the world. And even by South East Asian standards, Malaysia's political, social and economic performance has been outstanding. The great corporations of Midamerica will find in Malaysia the kind of environment and economic advantages that can contribute to their success. Malaysia can help you overcome the comparative disadvantages caused by your high interest rates and the very strong dollar that is pricing American

products out of the international markets. You can be protected at home but not abroad.

8. I understand that 20% of your industries are related to foreign trade. In most of these I believe you have lost your competitive edge, some to Japan, Korea, Taiwan and the Eastern European countries. These countries are no longer producing handicrafts and imitation goods. They have even moved into high technology and their products are tailor-made for their markets and attractively priced. The arguments that American goods are always superior no longer hold water. Indeed but for your tariff and non-tariff barriers, i.e. your protectionism, you will find yourself hard put to sell your own products at home.

9. The American market is huge and you have all the raw materials and the manufacturing skills to produce all your needs. In other words you can, with impunity forget the rest of the world while keeping the whole of the American market to yourself. But isolationism had not worked politically for you. There is no reason to think that economic isolationism can be successful. Indeed the world today is much more interdependent. Even the United States must depend on others for some of your needs. And certainly you will need foreign markets. That being so, you will only open yourself to counter-measures if you adopt wholesale protectionism. In other words, you have to trade with the rest of the world and you have to maintain an open market.

10. This reality can mean that even for your domestic market you may have to manufacture abroad. In the microelectronic field you are already doing this. What we are suggesting is that even for some finished goods and sophisticated products you may need to do this. Clearly whether it is for the domestic or foreign markets you will need to invest in manufacturing facilities abroad. This is not new to you of course, since American companies have been manufacturing in other developed countries for a long time. You have also invented the multinationals to maximise profit by taking advantage of the cheapest manufacturing or sourcing locations. But now you have to do this merely to remain competitive.

11. Malaysia believes that once again it can provide the kind of environment to enable you to have the competitive edge. The success of the electronic components industry can be repeated in many other areas. We have some ideas ourselves which we are willing to examine with you. Of course, if you have ideas of your own we are prepared to entertain them.

Ladies and Gentlemen,

12. You are motivated by profit. We are motivated by a need to develop fast. The two are not necessarily incompatible. We have various formula for apportioning benefits so that even you make profits you will not exploit

us. And so we welcome you to Malaysia, a land of great promise where enlightened materialism coexists side by side with enlightened nationalism.

13. Seeing is believing. Do not just hear about or read about Malaysia. Come to Malaysia and see things for yourself. Talk to all Malaysians freely. Talk to those who have invested in Malaysia. Talk to the Malaysian Industrial At the very least you will enjoy a business-cum-holiday experience. The chances are that you will change any impression of Malaysia gained by reading the occasional article or news item that you may have accidentally come across in a newspaper or magazine. And, of course, that visit can help you decide whether it is worthwhile to invest in Malaysia.

14. We will not pretend that we have no problems or that we are perfect. No country can claim that. But the risks will be less in Malaysia than in other places.

Ladies and Gentlemen,

15. Malaysia welcomes the corporations of Midamerica to examine it as the location for your next investment. To emphasise the sincerity of our invitation I have come not only with the officials but also a number of Malaysian businessmen. I am sure that they will be able to enlighten you more, or alternatively to arouse your curiosity sufficiently about Malaysia. We hope to see you in Malaysia in the near future.  
Thank you.