

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

EVENT: THE OPENING OF THE 40TH. ANNUAL DELEGATE

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TIME:

There is no denying that the Chinese community has played a very significant role in the development of the economy of this country, Malaysia.

2. From the very beginning they have been the traders and the entrepreneurs and it is because of their diligence and their skills in business that today we find Malaysia as one of the better developing countries in the world.

3. Unfortunately, of course, our economy is based on the export of our primary commodities to the rest of the world. Today we are facing the recession because of the fall in prices of most of the commodities we are exporting. What we earn from the export of the commodities have a direct bearing on the domestic economy of this country.

4. Indeed we can almost say that this country is 100% dependent on the export of commodities because it is from the profit that we have made through the export of commodities that we re-invest or we expend within the country which creates the demand and supply, which are so necessary for keeping an economy going.

5. When a person sells rubber or tin, or palm oil and makes a profit, and subsequently spends the money within the country, whether it be buying consumer goods or buying houses or indeed spending money on food and drinks and entertainment, the facts remain that every time he expends the profits that he gained from abroad, somebody else within the country stands to benefit.

6. Therefore, it follows that when the export activities decrease, as is happening now, our earning from our export becomes very much lower and has a definite and direct effect on the domestic economy of this country. That is why when prices of commodities go down as it has done now we see the effect on the domestic economy, we see a fall in demand for housing, a fall in demand for consumer goods, motor vehicles, etc., which of course, affects the earnings and jobs of a whole lot of other people who are not directly involved in the export of commodities. Faced with these, we have to think of how to overcome this problem cause by the fall in commodities prices. We can sit down and cry, we can blame the Government or blame a whole lot of other people,

but what remains is that if we want to recover we have got to understand the working of our economic system and we have to make use of the different sectors of our economic activities in order to regain our economic health.

7. This country has grown prosperous on a very traditional way. In the past, all the big companies were owned by individuals, they were basically family companies. We find that family companies have limited capacity to expand and we have, therefore, adopted the western system of public limited companies.

8. But the public limited companies require different kinds of management. A private company involves managing money that belong to us, but a public limited company involves managing money that does not belong to us.

9. And unless we know how to manage funds that do not belong to us, unless we have definite good ethics in the management of these funds, we are going to get into trouble. If we misuse the funds as has happened now we find that we are in greater trouble whenever trouble comes to us. In other words, during a period of recession that is when all the bad practices come to light and today we are seeing a very disturbing picture where public funds have been misused by irresponsible people. If we are going to recover, it is very necessary that we learn to have some ethics in the managements of public funds. We learn to have a sense of responsibility and we have to accept that in the management of funds that do not belong to us we must submit to certain set of rules, certain ethics.

10. The Government does not want to interfere in the private sector. It does not want to be involved in the companies and their problems. Basically, the Government is here to keep law and order. To keep law and order we need to have an administrative machinery, that must be financed through the collection of taxes.

11. Therefore, the Government's only concern really is to collect taxes and to maintain law and order and if we can do this alone, we could be quite happy. Unfortunately, we have to be involved in overseeing a whole lot of things which before we not be responsibilities of the Government. We talk a lot about de-regulation.

12. The Government would like de-regulate but it can only de-regulate if the private sector is willing to regulate itself. There should be institution to oversee the workings of the different sectors of the economy.

13. If we are going to have a stock exchange, then the management of that stock exchange must be responsible enough to ensure they work properly, that there is no mismanagement, no misappropriation of funds, etc. If it fails to do that, then the Government is really not competent to do.

14. On the other hand if we do not regulate, then public funds will be misused.

15. Therefore, if the people of this country do not want interference by the Government in their affairs, then they must manage their affairs well. they must set up standards, they must have proper ethics, they must have bodies which supervise and willing to impose the rules and to punish those who break the rules. If they don't do that then the Government would no choice to move in and in it very clumsy way tries to do the right thing. Of course in so doing we expose ourselves to all kinds of practices which we have no right to involve in. Whenever we give authority to anyone including the civil servants, we are exposing them to temptations. It is better that we don't expose them to temptations if we can. Therefore, I would like everyone, including the Chambers of Commerce to consider that in a new environment where companies and managers are expected to manage not their own funds but money belonging to the people, they must adopt every responsibility attitude and not misuse funds in any way.

16. We have heard a lot of shortage of fund, about high interest rate etc. We realise, of course, that high interest rate stands in the way of greater investment and economic activities.

17. We have been trying to push down interest rate but this, of course, is not very easy when a lot of people have kept their money in fixed deposit at fixed interest rate in banks and banks are very reluctant to reduce interest rate because they are committed to paying the people who have deposited money with them at high interest rate. How this can be overcome will have to be worked out by us all.

18. I am very glad to hear the two-prong strategy that you have initiated. You would like to see a reduction in domestic expenditure. The government has done so, indeed the government has proposed measures that have cause a lot of unhappiness among the people who work with the government.

19. We are now being thrashed by our own employees not to impose too heavy a burden on them. We have no desire to impose a heavy burden on them but we do have to reduce our expenditure. We have to reduce our expenditure on development, for example, in order to cut government expenses.

20. But this must have a reflection on the economy of the country. If we do not spend money it follows that the private sector will not get money also.

21. For example, if we have a plan to build a road, obviously somebody will win a contract to build a road, somebody is going to get a job, work on the road. The

suppliers will get some profit for themselves and everybody will benefit all round including the hawkers who will be selling the food to the workers. So every time the government spends money everybody gains from the expenditure. When we say we should cut back on the government expenditure we are starving the community of the necessary jobs and contracts and they will feel the pinch, they will have no access to money, they will suffer and when they suffer, of course, the community will also suffer.

22. There is, therefore, only a limited amount of cutback we can make. We have tried our level best to reduce the government's expenditure. For example, many of the projects that we have planned for this country have already been shelved or indeed have been cancelled entirely. This will have a bad effect on the economy itself although this means that the government needs to collect less taxes. We have to accept the fact if we want to cut back on the government's expenditure then the private sector will have to pay a price also.

23. If the private sector and the people of this country are willing to cut back on their personal expenditure, to live within their means, then it is quite alright for everybody to cut their domestic expenditure.

24. If we don't go to the shop to buy luxury goods instead of which we buy local products then perhaps we will be stimulating the local economy.

25. But, of course, the man who sells the luxury items will suffer, somebody will have to pay a price. Nevertheless in term of the total domestic economy such a move to cut down on domestic expenditure would be beneficial. We should be willing to have a standard of living slightly lower than we are used to.

26. The per capita income of Malaysia during the prosperous day went up to US\$2,200

27. Now because of the shrinkage of the economy as well as the depreciation of the Malaysian ringgit, against the American dollar, the per capita income has gone down to US\$1,500 per head, which means that we have to live as people with that amount of income. We have to cut back on our normal expenditure, among which of course we need to cut back the consumption of imported goods as proposed by your Chamber of Commerce.

28. I heartily agree with this approach. I think that would be a very good thing if we can cut on the expenditure on our purchase on imported goods.

29. One item, I would like to mention in particular is the Malaysian's urge to travel abroad. Among developing countries, Malaysia has got a very big quota of Malaysians travelling abroad.

30. Most developing countries do not export their tourist, they are busy entertaining tourists from other countries in their own country. But Malaysians travel abroad extensively every year and it cost us a lot of money, a lot of foreign exchange out flow because of the desire to go abroad. We should, therefore, be willing to spend our holidays in the beautiful resorts that we have built in our own country. That way we would not only be helping our business community but actually be contributing towards the economic health of this country. So along side our desire to cut back on the consumption of imported foreign goods, we should also reduce our travelling abroad.

31. Domestic tourism should be encouraged because in actual fact a lot of people find Malaysia an extremely interesting country that has all the amenities. It has some of the best resorts of international standard or even lesser standards to cater for some people who cannot afford international standards.

32. There is no reason why we should not expend our money within the country. In this respect the government would like to see more people from the Peninsular travel to Sabah and Sarawak dan spend their money here and more people from Sabah and Sarawak travel to the Peninsular and spend their money there.

33. That is why the government has subsidized the ferry service to the tune of \$6 million a year in order to enable Sabahans, Sarawakians, and as well as Malaysians from the Peninsular to travel to each other's place.

34. As to greater export, we would like to see this to happen. We entirely agree with the ACCCIM to improve our export volume. However, we cannot rely anymore on the export of commodities. We need to export manufactured goods. We find that for some reasons or other, anything that is Malaysia costs more.

35. Yet our neighbours, particularly our neighbours just north of us are able to produce the same goods at almost half the price. May be, it is because their labour cost are low but I think there are just more than just labour cost involved when they can export the same product that we manufacture at half the price.

36. We have to learn from them as to how they manage to cut down on their cost so as to be very competitive.

37. Whenever we have someone proposing to manufacture anything in Malaysia, the first thing they ask is for the Government's protection.

38. Well, we are not against giving protection but protection has resulted in continuous inefficiency. For example, there is not attempt made to become more efficient

and to export what we have manufactured.

39. Other countries protect their manufacturers, but they protect their manufacturers only to the extent of the goods that are sole within the country. These people are also expected to export their manufactured goods to other countries so that they will earn foreign exchange. For doing that their domestic market can be protected.

40. We find that in Malaysia some people manufacture for the domestic market and never made any attempt to export what they produce. Of course, what they produce for export is exempted from excise duty which should enable them to sell their goods cheaper abroad but some how or other they have not been able to achieve the kind of prices that will make their products competitive against products from other countries.

41. We would like of course to review import duties on certain items but there is not much that we can do to tax our Malaysian consumers.

42. We cannot penalise our Malaysian consumers because our industries are inefficient.

43. If you want to be protected, you must make every attempt to reduce your cost as quickly as impossible so that no protection would be necessary, so that the goods that we produce here would be cheaper than the goods imported.

44. But we cannot expect Malaysian produced goods to be protected forever. This is not fair to the consumers because every time we protect, the manufacturers for the domestic market, it means that the consumers will have to pay a higher price for what they buy.

45. They are the victims of any attempt made by us to provide protection for our own domestic producers.

46. I do hope that while on one hand you ask the Government to review the import duty in order to give protection whether by industry or on individual basis we do hope that attempts would be made to become more efficient so as to do away with protection.

47. If over the years, no attempt is made to reduce costs then you do not deserve really to have the protection. Cost can be reduced not only through lowering or through reducing labour cost but management too must be very responsible and try to reduce their costs.

48. We find that management sometime make no attempts to reduce their own costs and to improve their techniques or technology to enable their products to be competitive.

49. This is not something the Government desires or wish to see. We would like our industries to gradually improve

their efficiency so that they can reduce their costs since cost has very direct relationship with volume. The only way you can obtain a very big volume is to try and export.

50. Initially you may lose money, but once you have built up a market with sufficient volume, then you may be able to reduce your cost. Therefore, if you ask the Government to review import duty, you must also demonstrate that you are capable of reducing your own cost.

51. When you do that and you are able to export some of what you produce, then you really deserve to be protected. We will of course contribute towards improving the economy of this country.

52. As I said just now, we have no wish to regulate the economy of this country. We would like to deregulate.

53. You are asking us not to be rigid. That is easier said than done. We would like to be flexible but who is going to exercise flexibility? A Government officer cannot be flexible. The reason is that if he is flexible, then he may be accused of doing something that is not right, that he may be subjected to corrupt influences or corrupt practices.

54. Why does he give to someone some leeway to do something which are not provided for under the regulation? Therefore, Government officers tend to be rigid.

55. It is only when they exceed what they are supposed to do that we can correct them. If they do exactly what is expected of them and this may be regarded as rigid by some quarters, it is very difficult for us to stop them from doing so.

56. In addition, of course, we may appeal to the higher authorities, we may even appeal to the politicians. But politicians are also equally wary of making flexible decision because they too might be accused of corruption. So the situation is a very difficult one.

57. It is not easy for someone to be flexible because he may subject himself to all kinds of accusations about his own honesty.

58. So you would have to bear with this. But you would have to improve your own performance in order to overcome whatever regulations there may be.

59. With regard to Malaysia incorporated, as you know, I have discussions with your committee and we have listened to the views and suggestions.

60. The Government is taking a serious revision of ideas with regard to how we handle our relation with the private sector. We would like to see greater cooperation between the private sector and the Government and this will

certainly be done as much as we can, accomodate whatever specific proposals that you may make.

61. I would like to thank you very much for giving me this opportunity to speak my mind to a group that is very important to the economy of this country. We have the NEP. I am glad to hear that you support the NEP. Of course the NEP is based on an attempt to help all the different races develop equally.

62. But sometimes we have to give some stimulus to some of the people who are left behind.

63. That must be accepted. I would like to see greater attempts by the people who are much more capable in the field, greater attempts on their part to help their colleagues and the help must be genuine.

64. We find far too often that in order to fit in with the NEP, names are used of people who will not do anything at all other than lending their names. This is not helping the NEP.

65. We would like genuine co-operation between the races. As you may know, I have suggested that the Chinese Chamber of Commerce and the Malay Chamber of Commerce get together.

66. The suggestion was made by me several years ago. I am sorry that up to now we have not really seen anything concrete. I am serious about this and I hope that there will be serious attempts on your part as well as the Malay Chamber of Commerce to come together and work together. I do hope that one day it would not be necessary for us to have chambers of commerce based on race. Once we have a chamber of commerce no longer based on race, then, of course, there will be no need to talk about racial aspects of the economy since everybody will be represented in one single chamber.

67. At the moment we have co-operation through the national chamber of commerce, but that co-operation is still very much in the early stages.

68. We would like to see all the chambers of commerce downgrade their own activities and upgrade the activities of the national chamber of commerce. We hope to hear from you various ideas in order that the Government will be able to help stimulate the economy once again. We have our own plan and own ideas, but all the best plan in the world will not succeed unless we apply ourselves to implementing the plan properly.