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ADDRESS BY THE HONOURABLE
THE PRIME MINISTER OF MALAYSIA
DATO SERI DR. MAHATHIR BIN MOHAMAD (P)
AT THE E.M.F. FOUNDATION ROUND TABLE ON MALAYSIA
AT THE HILTON HOTEL, KUALA LUMPUR
ON MONDAY, 3RD. NOVEMBER, 1986
AT 2.30 P.M.

It gives me great pleasure to welcome you to Malaysia. I would like to thank the E.M.F. Foundation for taking the initiative to organise this second E.M.F. round table on Malaysia and to invite me to address it.

2. We are all going through a very critical phase in the world economy, and if the general recession is to be taken as an indicator, we have to conclude that we are not managing the economy right. The oil crisis has been left far behind and we cannot keep on blaming it. Indeed during the oil crisis the world economy was not this bad. Europe and America actually benefitted from the massive inflow of petro-dollars. We must conclude that the present recession is not truly related to petroleum prices but more the result of other factors.

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3. What are the other factors? There are many but an inability to handle the effects of new technology and changing trade patterns must be among the most important. Unable to cope with these changes through fair trade and fair competition, some of the most powerful countries of the world have resorted to economic politics. Pressure is brought to bear on certain countries to limit export voluntarily or face quota restrictions. National laws are extended beyond national boundaries so as to limit competition. Stockpiles are used as economic weapons or even political weapons.

4. But when all these fail, the value of other countries' national currencies are forced up or down in order to influence international trade. This is done without regard for the consequences to third countries. Exclusive clubs of the rich determine international financial policies careless of the effect on the rest of the world. And so countries like Malaysia which have always been very conservative when borrowing abroad suddenly find their national debts almost doubled.

5. But the pressure on certain countries to revalue have had other effects. One of the more obvious effects is that nations can no longer control their own currencies. That function has now shifted to the currency traders whose interests and priorities are certainly not the same as the nations whose currency they cause to fluctuate. Like all

business people their main concern is profit and there is a lot of profit to be made when currencies change values.

6. With the kind of profits that can be made from currency trading, the trade in goods and services has been elbowed aside. The problem is that currency trading is artificial because demands and supply are the results of manipulations rather than real needs. There is really nothing material that changes hands. Telephones and telexes move billions of dollars between Tokyo, London and New York without any regard for actual movements of goods or services. And of course the little countries can only suffer in silence. One day they may owe 50 billion, the next day 60 billion and if they are lucky they may have a national debt of 40 billion again on the third day. If some dealers suddenly decide to unload a substantial amount of a small country's currency, it may find itself suddenly poor whatever may be its financial policies or economic plans.

7. The situation is chaotic and anarchic and for a small country, quite unmanageable. It is unmanageable for big countries too but they are strong enough to survive.

8. In Malaysia we don't believe in devaluation. But our ringgit has been effectively devalued because of the anarchy in the world's monetary system. We cannot prevent the de facto devaluation of our currency but we are going to try to take advantage of it. We want to use our lowered cost to

make it competitive in manufacturing and the provision of services. That is why we have been inviting investors to come here.

9. At one time Malaysia had the field to itself where foreign investments were concerned. Other countries did not welcome foreigners. But now other countries have changed their minds and we have to compete with them for foreign investments. We feel we still have many things going for us but for some reason or other we have been receiving bad publicity lately. I would like therefore to tell you something about Malaysia.

10. Malaysia is a multi-racial country. Other countries can claim to be multi-racial but generally the people of different racial origins are assimilated, speak one national language and have one national culture. To be an American citizen the immigrant has to speak English and generally absorb local culture. In Malaysia the different races do not have to speak the national language and they continue to practise their own cultures. If you can imagine the US with 40% Vietnamese, 50% Caucasian and 10% blacks, all practising their own cultures and speaking their own languages, then you may have some idea of the multi-racial character of Malaysia and the problems to be faced when administering it. Many countries in Europe and America are not able to deal with even small doses of inassimilable people.

11. But Malaysia attained independence without racial or religious bloodshed and has remained politically stable and peaceful during its 30 years of independence (if we discount the limited race riots in 1969). This is no mean achievement. It speaks well of the peoples of Malaysia and their tolerance. In other multi-religious and multi-racial countries bloodshed would characterize most elections. But we have just had a general election recently when not a single drop of blood was shed. A lot of people are disappointed that this should be so. They had predicted dire consequences and results following the elections. Again Malaysians have shown that they are not only democrats but they are reasonable democrats as well. And where the opposition are really favoured, they won. We don't have a situation where 99.9% of the seats are won by the Government parties all with 99.9% majorities.

12. And all the while the economy boomed, with growth rates of 8% per annum. If today we are not doing so well economically it is not because we have lost the knack of managing our multi-racial country with its myriads of problems, but it is because outside forces have depressed the prices of our commodities, and played havoc with our exchange rates. But we will overcome. We have mapped out a new strategy which will regain for us the kind of economic performance we achieved before. We have a lot of things going for us, not least of which is political stability and

a strong Government which has the support of the vast majority of the peoples of Malaysia.

13. The EMF's decision to hold its meeting here is to us a vote of confidence in this country. It is certainly an expression of your interest in the potentials of Malaysia as an investment centre. I don't think yours is an academic expedition designed to educate yourself. Nevertheless it pays in business to know what kind of a place you are putting your money in. If you rely entirely on news reports you are going to conclude that Malaysia is a dangerous place where the different races are constantly fighting each other, where religious extremism influences policies, where corruption is rife and red-tape entangles everyone, where bureaucrats are incompetent and a host of other vices prevail.

14. But compare what you read with what you see when you come here. Better still compare this country with other countries that you know. Countries that are badly administered tend to show physical evidence of this failure. Dilapidated roads, buildings, vehicles, public facilities, etc. will in one way or another reflect the failures of an administration. But in Malaysia, a developing country with a per capita income one-fifth that of developed countries, do you see these physical evidence of corruption, instability, inefficiency, etc? I will not answer this for you. There will be ample time for you to make honest

assessments of this country. Then I am sure you will not rely too much on what you read about faraway lands.

15. Malaysia is not a perfect country. We have the usual quota of evils that plague human societies and countries all over the world. But this country works, this country functions, this country delivers. If we are not perfect it is because no country is perfect. Many developed countries have policies worse than ours. Try and get a work permit, an extension of stay, an import licence; try and deal with bureaucrats in some of these countries and you will feel like taking the first flight out. If Malaysia's practices and policies seem irksome it is because generally people feel that beggars cannot be choosers. (We want foreign involvement in our economy while a lot of developed countries do not care for foreign investments.) So we cannot be permitted the kind of regulations and bureaucratic obstruction that some countries seem to practise deliberately in order to discourage foreigners. We accept this limitation on us but even beggars must have their pittance.

16. We are not quite beggars. We don't ask something for nothing. We do have a lot to offer. The Government officials and others will tell you at length what we offer in exchange for investments in this country.

17. Being a democratic country Malaysia has the usual quota of malcontents who will tell you that all is not well with this country. We are liberal and they will no doubt be speaking to you in this forum and outside. For the sake of impressing, they have to exaggerate and suggest dark things. The more interesting tales will be told unofficially outside.

18. Malaysia is a country that is crazy about rumours. One day the country may be destroyed by these rumours. But in the meantime Malaysians generally enjoy spreading rumours. It is good for speculators in the stock market. They need movement in order to make money. And so you will hear things like "the PM will resign on a certain date" or "so and so is corrupt" or "the ringgit is about to be devalued", etc.

19. Nevermind that these rumours have been proven wrong repeatedly. Everyone like to believe and pass them on. Of course, some rumours are for fun. That they hurt the subject of this fun is fun. If they hurt the country, it does not matter. A juicy piece of gossip enlivens the conversation.

20. Corruption is a favourite topic for gossip. It does not matter that there is not a shred of evidence for these wild accusations which can drive away foreign investors. It

is just too good a story to dismiss if someone whispers that such and such a minister is corrupt.

21. Ministers and Prime Ministers from many countries have come to Malaysia to lobby for contracts for their countries' private companies. Some even offer grants from their Government if a particular contract is given to a particular company. Indeed, some foreign contracts awarded by Malaysia are based on these grants given to the government. No one accuses these Ministers and Prime Ministers of corruption.

22. But a Malaysian Prime Minister or Minister has only to head a trade delegation abroad to be accused of corruption. The atmosphere gets stifling for Government leaders trying to promote the country's economy. In the end they try to avoid businessmen. Then they will be accused of being aloof and unhelpful. You are damned if you do and you are damned if you don't.

23. Certain quarters bemoan the lack of press freedom and maintains that rumours are necessary as the newspapers, they claim, print only Government propaganda. These quarters are not only quoted by the local press, but their views are sought and published on any and every issue. None of their views are supportive of the Government. Some even create racial and economic problems. But they get published anyway in this country where there is supposed to be no press freedom. Only the most blatantly provocative and damaging

views attract the kind of punitive action they say the Government doles out lavishly.

24. I am sure you will be meeting them. While they tell you of the lack of freedom, of oppression by the Government, of discrimination, I am sure you will notice that they seem quite free to give their views. We do have laws for detention without trial -- a law we inherited from the British. But in a country of 15 million, there are about 30 people in detention -- largely hard-core terrorists and their supporters who refuse to forswear violence.

25. We have a multi-racial society. We see violence in many countries with multi-racial or multi-religious problems. We don't think anyone has the right to ^e foment racial fights in the name of freedom of speech. We cannot wait for riots and killing to take place before we act.

26. Freedom is not licence. Neither is it free. There is a price to pay. To have freedom one must also be responsible. We are fortunate in Malaysia because, by and large, the people are responsible. They are knowledgeable too. They know exactly what the Government is doing. Evidently they approve of it. Otherwise, why should they return the Government party to power, time and time again. Despite prediction by all and sundry that the people will curtail the strength of the Government in the recent

elections, the people returned the Government Party with a huge majority. But the opposition also won seats.

27. What does this mean? It means that the people of Malaysia want political stability. As businessmen you must know the importance of stability, especially in developing countries where politicians tend to play a very big role. Political stability begets consistent policies, including economic policies. Nothing is more frustrating and unproductive for investors than having rules and regulations and policies changed with the accession of each new Government. When the same party is endorsed by the people again and again, policies continue; they don't take a 90° or 180° turn and you feel comfortable.

28. But not everyone is happy of course. They try to find faults. If they cannot find, then they invent them. Thus one foreign newspaper said "The New Economic Policy set up in 1970 has succeeded largely in discouraging foreign investments". This piece of nonsense is probably the result of wishful thinking. This newspaper for some unknown reason finds it impossible to say anything good about Malaysia. It is alleged that this is a business newspaper. It reads like "The News of the World".

29. But what is the truth? I can say without fear of contradiction that all the export oriented operations that have come to Malaysia and made it a world leader in the

manufacture of electronic semiconductors, several rubber products, air-conditioners, and others were established after 1970, that is after the NEP was introduced.

30. The NEP does not represent a change in policy. We felt that if the poverty eradication and restructuring objectives of the NEP were to be achieved, we need foreign investors to help the economic cake to grow. And grow it did, although the particular newspaper chose to ignore this fact.

31. We are in the throes of an economic recession now. But is it due to the NEP? Fifty percent of Malaysia's economy has been based on the production and export of tin, rubber, timber, palm oil, petroleum, cocoa, pepper, etc. When the prices of these commodities collapsed by almost 60%, can the economy grow? Of course it will have to reflect this reduced export earnings. When we earn less money from exports, demands for all sorts of domestic products and services must also be adversely affected. The nett result is economic recession. Any person with any intelligence at all would have noticed that Malaysia's economic trouble began almost immediately after the fall in commodity prices world wide. Incidentally intelligent people must have noticed that commodity producers like Australia, Indonesia, Thailand, and others which were prosperous before, also experienced economic recession at the same time that Malaysia went into recession.

32. Some will say, "Ah, why do you hold the NEP in abeyance if it has nothing to do with recession?". The answer is that we are not expecting to become as prosperous as we were in the halcyon days of the commodities, merely because there will be more foreign investments. What we are really after is jobs for the people laid off by the fall in commodity prices. The economic cake may not grow much but people must have jobs. They cannot wait for demands for tin to pick up.

33. Apart from foreign investments we have been doing a lot of things. We have cut back on our spending. We have limited our imports. We borrow less. We try to improve productivity. We diversify our agricultural base. We promote tourism. We do a whole lot of things which we hope will bring about recovery even if commodities never attain preeminence again. We have succeeded before and God willing we will succeed again, prophets of doom notwithstanding.

34. I said just now that Malaysia is not alone in having to face a recession. Our ASEAN friends, quite free from the NEP of Malaysia, are also experiencing recession. They too depend on commodities. And as a measure to overcome the short-term unemployment problem, they too have turned to foreign investors.

35. ASEAN countries are friendly competitors. With a population of 250 million and a higher per capita income than China, the ASEAN market is a rich market.

Unfortunately it is not a common market. You cannot set up your production in one ASEAN country and market throughout the region. It is therefore not as attractive as you would want it to be. We agree with you. We are working on some reduction of tariff barriers. Next year the ASEAN summit will be held in Manila and high on the agenda will be the question of a common market. We hope we can make a significant move towards it.

36. It has been brought to my attention that many medium sized companies in Europe and other areas in the West, perceive Malaysia and Asean to be an exclusive territory of the developed countries of the Far East, and feel that European nations have little chance of succeeding in this market. This is not true. Neither is it true that the Malaysian 'Look East Policy' gives special privileges to investor from the developed Eastern nations. The Malaysian 'Look East Policy' was enunciated to encourage Malaysians, not only in the private sector but also the Government, to emulate the work ethics, discipline, loyalty and consciousness for quality and other good values that have become the hallmark of Japanese economic dynamism in the world, and to an increasing extent that of Korea and Taiwan. Though these values are equally inherent in successful operations in Europe and America, we feel that Malaysians would be able to accept these ideals more easily, if it is seen that other Asian nations have strived for and achieved this excellence. I would like to reemphasise that Malaysia

is an open economy and that every company has an equal chance to take advantage of the opportunities, incentives and facilities that we offer.

37. The Government has during the last year, and also recently, announced a series of new initiatives and measures relating to foreign equity participation, employment of expatriates, incentives, reductions in basic cost factors such as electricity, telephone, telex, and even raw materials available in Malaysia. I am sure these will be elaborated upon by other speakers in this Forum. I would like to urge all of you to look at the totality of what we have to offer. I am confident that on the basis of all the key factors that make up an investment environment, namely political stability, economic strength, growth potentials, infrastructure, incentives, availability of labour, raw materials, and generally the environment for living and doing business, very few countries in the world can exceed what Malaysia can offer. Therefore, we invite you to be our partners in the progress and development of Malaysia for your own benefit as well as ours.

Thank you.

Prime Minister's Office,
Kuala Lumpur.