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SPEECH BY THE HONOURABLE
THE PRIME MINISTER OF MALAYSIA
DATO SERI DR. MAHATHIR BIN MOHAMAD (P)
AT THE INTERNATIONAL PRODUCTIVITY CONFERENCE
AT DEWAN MERDEKA, PUTRA WORLD TRADE CENTRE
KUALA LUMPUR, ON MONDAY
3RD..NOVEMBER, 1986
AT 9.00 A.M.

PERPUSTAKAAN
BERNAMA

I thank the organisers for giving me the opportunity to address this distinguished gathering this morning. It is an honour for Malaysia to be selected to host the International Productivity Conference (IPC). I would like to congratulate the initiative taken by the Asian Productivity Organisation (APO) and the Malaysian National Productivity Centre (NPC) in organising this conference.

2. This Conference has brought together eminent minds in the field of Productivity Enhancement, to deliberate on some very critical issues currently facing developing countries both within and outside the Asian and Pacific region.

3. I am glad to note that this conference is adopting a proactive stance as reflected in the choice of the theme:

"PRODUCTIVITY THROUGH PEOPLE IN THE AGE OF CHANGING TECHNOLOGY". Over 70 per cent of the world's population live in developing countries. What is more daunting is the fact that within the foreseeable future the earth will have to sustain about double the existing population. Over 80 per cent of that will be in developing countries. It is, therefore, most appropriate that the member countries of APO give priority to the development of human resources. In doing so they have given due recognition to the human factor in the productivity equation. The human factor is in fact still the key to economic growth, despite fantastic advances in technology. But unfortunately we cannot get over our expectation that somehow by manipulating money and taxes we can overcome high costs and low production. We fail to appreciate that monetary and fiscal policies offer only transient cures. In the final analysis it is the people and their skill in using time, material, and technology which will determine success or failure, low or high productivity.

4. Technological advancements usually offer us a means of increasing our productivity. On the other hand we still have a primitive fear that new technology will deprive us of employment. We know the story of how the first weaving machine was destroyed by workers who feared they would lose their jobs. We also know now that cheaper cloth resulted in greater demands and that the number of workers employed in the textile industry increased tremendously because of this demand. It is therefore not technology which should worry

us, but the way the higher productivity of new technology is managed, in other words the productivity of those who manage the means of higher productivity.

5. Unfortunately industrialisation in developing countries has not achieved the kind of industrial revolution that characterized the European countries and Japan. The traditional agricultural sector remains technologically backward and uncompetitive. For the majority, the quality of life has not improved. If there are large agricultural estates, these estates enjoy the economies of scale. But the smallholders remain subsistence farmers, incapable of applying new technology for productivity enhancement.

6. Despite their low income and productivity, these smallholders and workers still play a vital role in the world economy. They supply a variety of raw materials crucial to the economies of the industrialised north, and in turn provide markets for manufactured goods. However, in a materialistic world their contribution passes unnoticed. If they want to improve their lot they must compete, they must be more and more productive. They cannot plead lack of capital or lack of knowledge or lack of management expertise. Either they are competitive or they are left behind.

7. In the rich countries the farmers can expect massive subsidies and protection. The result is wasteful

production. Meat, sugar, butter, grains are produced not because there is a market for them but because their production qualifies the farmers for subsidies. And so in Europe and America there are literally mountains of meat and butter and grains which nobody wants. Someone then thinks of giving them away to poor countries. This is fine except that the same poor countries used to buy their food from the other poor developing countries whose farmers are not subsidised. The meat and grain mountains disappear from rich countries simply to reappear in poor countries.

8. No one needs to tell us that over-production is wasteful. When subsidies subvert efficiency and competition then productivity becomes meaningless. Deprived of the few means of earning foreign exchange, the poor countries become poorer. And the rich will find that they will not be spared either. They will lose the markets for their manufactured products.

9. If productivity is to be worthwhile, it must be in the context of a freely competitive world. It is odd that I should be saying this. It used to be the people of the developed world who talk of free trade and competition. Efficiency was upheld as a virtue and competition was the essence of free trade. Today it is the developed free trade nations which restrict markets and dole out massive subsidies to inefficient industries.

10. But we are small countries and have little economic clout. If our productivity is negated by quotas, protectionism and subsidies, we cannot despair. We will just have to be more efficient and more highly productive than ever. It is because of this that Malaysia continues to strive for greater productivity. Of course, we are doing lots of other things as well. But improving productivity remains a key factor in our strategy.

11. Productivity does not mean merely hard work and longer hours, though these are absolute essentials in a competitive world. Productivity essentially means lower unit cost and this can be brought about by a variety of ways. Research and Development is perhaps the first step towards higher productivity. Developing countries are always unwilling to expend money on R & D. They think it adds to cost. They claim they just do not have the money needed. Why should they spend what is basically their earnings on something they may or may not yield result?

12. Malaysia's experience with research is quite a lesson for the country. The rubber trees that we grow today produce ten times more latex than the original rubber trees brought from the Amazon forests. The Malaysian oil palm can now be harvested 2½ years after planting where once it took five years. New strains of rice yield twice or more per acre than the old strains.

13. These results of R & D should convince us of the benefits derived from money expended on research and development. But Malaysia, like other developing countries, spend only a minute fraction of funds on research. Financial controllers invariably question the need for so much money on research.

14. Research, of course, should not be confined to a particular part of the business. Every stage of business can benefit from research. Manufacturing methods in developing countries are still primitive. We have a lot of workers but automation and robots should be considered if these can make us competitive. They should not, of course, be used in order to appear as modern as the developed countries.

15. Upgrading of education and skills should complement hard work and dedication. Frequently we see in developing countries professionals who are reluctant to come into contact with the people and the work on the shop floor. They have their air-conditioned rooms where they expect productivity to be improved by writing on engraved note-paper. Actually the number of professionals confined to their rooms is inversely proportional to the productivity of the establishment. Sometimes, educational qualifications in developing countries are much more of a status symbol than a serious requirement for skilled work.

16. What can be said of the professionals can also be said of the managers. A lot of managers are quite unfamiliar with the shop floor, the mines or the estates. They too deal in papers and reports and expect things to be done by writing down notes. Productivity cannot be increased just by writing notes.

17. Finally the workers. The tragedy of developing countries is that while their economy is comparable to the economies of Europe of perhaps the 17th or 18th century, but their expectations and ethics are those of Europe now. Eighteenth century economies just cannot afford the practices and rights of late 20th century mores. When the GNP is low, it is not possible to have high per capita incomes. If you try, then productivity in terms of unit cost must be high and you will not be competitive. If you are not competitive, GNP will not rise, except of course for small nations, which produce massive amounts of oil or phosphate, etc.

18. Workers must have their rights but they must be what we developing countries can afford. Along with these rights must come a contribution to productivity. If what is produced cannot compete in the market, the end results must be a loss of jobs. Rights are meaningless without jobs.

19. Clearly many people and many activities play important roles in improving productivity. If each component should

ask itself what it can do to improve productivity and then goes on to do it, the result would be positive. But if each component merely complains that the other components are not doing what they should be doing, then there will be no improvement in productivity.

20. Productivity cannot be improved by doing the same old thing in the same old way. Whether it is harder work or automation, or improved industrial relations or new techniques or new clones, changes must be accepted before productivity can be improved. There must, therefore, be a willingness on the part of all to accept change.

21. Change is uncomfortable. It is human to like the familiar. The familiar may be boring but we do not have to adjust to it. We have already grown into the mould. A new mould would require reshaping us and this process is painful.

22. The problem is that if we keep on doing the same thing in the same way in a world that changes rapidly, we will be left behind. If we are in business we are going to lose out. That loss will be a change forced on us and it will be infinitely more uncomfortable, more painful.

23. We have, therefore, to accept the discomfort of a deliberate change rather than the pain of an involuntary

change. If we appreciate this, then there is a fair chance of success and a better future.

24. Malaysians have now to grapple with this reality. We have lost the edge we had in the commodity trade. We were efficient but others were either more efficient or more innovative or both. To survive we have to change, we have to accept the temporary discomfort as we adjust to this new situation. What the Government is doing when it changes its plans and presents its latest budget, is to jolt the people out of their moulds. We have to change or we will deteriorate.

25. With the collapse of the commodities as the mainstay of the economies of the developing countries, we have no choice but to move into newer areas. We will have to depend more on manufacturing, for example. If we do this then high productivity becomes even more crucial. It is not a question of urging our workers to be more productive. It is a question of asking everyone to be more productive.

26. The cutting of red-tape in the Government is a contribution towards national productivity. Privatisation is intended to improve productivity. Improving infrastructure should support productivity. The decision to give fund allocation priority to projects and activities that can contribute to the economy is also in the interest

of productivity. And there are many more that the Government is doing in order to enhance productivity.

27. The private sector, the businessmen, the trade unions, the professional bodies should all be thinking of productivity. Each should examine itself as much as it examines critically the role of others in improving productivity. This is difficult, of course. We all know what others should be doing. We seldom realise that there are things that we could be doing ourselves. But if we want a better life, we have to make our personal sacrifices and contributions first.

28. I have been saying a lot about Malaysia. I do this because I know Malaysia better than I do other countries. Also I think Malaysia's problems and experiences are relevant to many developing countries. Certainly in the field of productivity improvement, we are all in the same boat.

29. We think that the solution to our problem lies in improving productivity, not as a once off thing but as a continuous progressive process. There are plenty of ideas on productivity and an exchange of such ideas will not only be beneficial to one country but to every participating country. This seminar will help the process of exchange and spread. Of course, the mere exchange of ideas is not going to get us anywhere. To increase the productivity we have to

implement those ideas. Indeed, we may have to modify them so as to suit the conditions and environments we work in. It is possible that we may benefit. It is equally possible that we may not. Still, the exchange of ideas would be beneficial.

30. I would like to wish you all a fruitful conference. I hope that we will all become more productive as a result of it. I also wish you all a pleasant stay in Malaysia.

KUALA LUMPUR

3hb. November, 1986 (Dikeluarkan pada 11.00 pagi)

KUALA LUMPUR.