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EVENT: THE INVESTMENT SEMINAR ORGANISED BY THE MALAYSIAN  
INDUSTRIAL DEVELOPMENT AUTHORITY (MIDA)

VENUE: THE HILTON HOTEL, LONDON

DATE: 22 JUL 1987

TIME:

It gives me great pleasure to address this investment seminar in London and I would like to take this opportunity of thanking both Peat Marwick and the British-Malaysia Industry and Trade Association in Malaysia for their assistance to MIDA in organising this gathering.

2. As many of you are well aware, setting up a seminar or convention in an overseas country takes a very considerable amount of forward planning, and when we started plans for this seminar, we were not certain when a General Election was to take place in Britain. As we now know, Prime Minister Margaret Thatcher has been returned to power for a further term, making her achievement unique among Prime Ministers in Britain in the twentieth century. It also probably made this seminar possible.

Ladies and Gentlemen,

3. We are pleased to note the mood of confidence in Britain today and credit should go to the nation's leadership and to the British people themselves. The fact that one of Malaysia's more important trading and industrial partners is doing well is most certainly heartening news for us, for in the symbiosis of a healthy relationship both parties must be strong so that our efforts at economic and industrial cooperation can be mutually reinforcing.

4. Malaysia has always welcomed foreign investors. We may impose conditions in order that we share in the benefits but we have never been anti-foreign. We have never indulged in nationalisation. Even when we were saying "Buy British Last", we still laid out the welcome mat for British investors.

5. Realising the importance of political stability to economic growth, particularly where foreign investments are concerned, Malaysians have always opted for inter racial and inter party trade-offs when solving their political problems. They abhor street solutions.

6. Recently a member of a British Parliamentary delegation asked me how many parties are there in the National Front,

the coalition which forms the Government. He was astounded when I said there are thirteen. In the U.K., he said, it is difficult even for two parties to cooperate in an election. It is a measure of the tolerance of Malaysians that 13 parties can work together for years and years. It must also be remembered that if the Malays are truly racialists, as they have been accused of, they could rule the country on their own. But despite having sufficient majority, they chose to form the Government in coalition with the other races. The result is that all races are represented in the Government and issues are removed from the streets and transferred to the Cabinet room. The net result is a reduction in the tension and turmoil so common in multiracial countries.

7. That the people endorse this approach, there can be no doubt. The National Front and its predecessor have won elections time and time again and formed the Government since independence 30 years ago. The consequence is a peaceful Malaysia which achieves economic growth with ease.

Ladies and Gentlemen,

8. I have been told that the differences of views and opinions among the component parties of the National Front of late has been a source of concern to some people overseas. The fact that there are differences of views is a sign of a healthy and vibrant democracy. The political debates and discussions taking place in Malaysia today is the result of the liberal attitude of the Government and a sign of a mature democracy. It should not be considered as a sign of political weakness. Indeed, the more significant thing worthy of note is the ability to resolve problems time and time again. Look back on the reports on Malaysia and you will smile at the number of times it was reported that Malaysia would go up in flames because of racial problems. But we are far from being burnt. We are very much a vibrant and democratic country. You will perhaps appreciate our achievement more if you can imagine how difficult it would be for you if Britain is populated by 50% Indians and Chinese, both wanting to remain Indian and Chinese and rejecting the British way of life.

9. Very much inter-woven within the fabric of Malaysian politics and development is the question of the New Economic Policy (NEP). I am sure you are familiar with the NEP which has been designed to eradicate poverty and to restructure society so as to reduce and eventually eliminate the identification of race with economic functions. These objectives are to be achieved within the context of an expanding economy and without depriving any section of the population. The NEP can be compared to the American programme of "affirmative action", whereby communities that are less economically developed are given an opportunity to catch up with the rest.

10. Malaysia is not the first country in the world to

introduce a programme of positive support for the deprived section of the community. In fact, the idea of graduated taxation on income is based on the same social awareness and principle. Economic disparity in a homogeneous society can and often do lead to social upheavals. Imagine how much more explosive the situation would be if, in a multiracial society, economic disparity is directly linked with racial differences. We believe that the NEP has succeeded in reducing the kind of racial tensions that led to the 1969 race riots. You have only to look at several examples in other countries to appreciate what I say.

11. Because of the present recession, we have held in abeyance the implementation of certain provisions of the NEP. The result is that we will not achieve the NEP target by 1990. We feel that the reasons for the NEP will be no less cogent after 1990 than before 1990. So long as glaring disparities are present something has to be done to correct them. But we are more experienced now. We will structure the Malaysian society economically, socially and politically in order to reduce disparities without causing too much negative effects. The different races in Malaysia understand this need. But, of course, there will be the vocal minority who will make a song and dance about everything that we do. As for the foreign investors, I can assure them that any inconvenience will be minimal. In any case those who invest between now and 1990 will not be affected, whatever may be the decision on the future of the NEP.

Ladies and Gentlemen,

12. Lately a lot of questions are being asked by foreigners about the so called Islamic fundamentalism in Malaysia. I believe that some people may have confused the term fundamentalism with extremism. The two are not the same. Islamic fundamentalism means adhering to the true teachings of Islam, and the true teachings of Islam advocate values which are universally acceptable. The spread of Islamic fundamentalism should, therefore, worry no one. Indeed, it should be welcome.

13. But admittedly there are some Muslim extremists in Malaysia. They are intolerant of the ways of others, including other Muslims. From the point of view of the Islamic religion these people are wrong. And because they are wrong, the fundamentalist Muslims, like myself, have been able to counter them.

14. We are fortunate that Muslim extremists in Malaysia are not violent. But they are very politically inclined. However, they have not been able to make any headway. They are in fact losing ground. Whereas before they formed the Governments of two states and had as many as 16 members in Parliament, today they control no state and won only one Parliamentary seat in last year's General Elections. The UMNO, the biggest Malay Muslim party, won 86 seats.

15. Malaysia is known for its religious tolerance. Freedom of religion is enshrined in the Malaysian constitution and Malaysians strongly uphold religious freedom and tolerance. The religious freedom and racial harmony in Malaysia has often been cited as an example of how a multi-religious and multi-racial country can be stable and harmonious.

16. I have touched on these points because it appears to surface time and time again whenever the media reports on Malaysia. It may help to remember that Malaysian Muslims have lived in peace and harmony with Hindus, Buddhists, Taoists, Christians, pagans, animists, etc., for the past 200 years. Surely, they have to be tolerant to do this.

Ladies and Gentlemen,

17. The Malaysian economy has been positively improving since the beginning of '87. Share prices are up and dealings brisk; commodity prices have picked up and sales volume increased, deficit trade balances have now become a surplus and manufactured goods are yielding greater export earnings. Growth in 1987 will be higher than projected and foreign loans will actually shrink.

18. What has Malaysia done to effect this turnaround? Firstly we did not panic. No currency devaluation. No reneging on debt repayment. Basic economic policies remained the same. The people did not throw out the Government or adopt a new ideology or economic theory. We made adjustments and corrections instead. We adopted a more flexible stance. Government spending was reduced and taxes lowered. Efficiency was improved and, where possible, Government privatised utilities and services. Foreign investors were given additional incentives and wooed with greater fervour, as are the tourists.

19. We accept that commodities will never regain their old price levels. Modern technology will increase commodity production and reduce usage. So, we try to reduce the cost of production and we waited patiently. Now the price of commodities are picking up again. But we are not taken in. We will diversify into manufacturing. It is an area that we are not bad at. In a few years we have become the world's biggest producer of room air-conditioners and integrated circuits after the US and Japan. True, these are not Malaysian owned companies. But why is it that foreign owned companies do so well in Malaysia? Surely there must be some Malaysian inputs. Otherwise they could be just as big and successful in other countries. You will find this out if you invest in manufacturing for export in Malaysia.

Ladies and Gentlemen,

20. A policy that has caused a lot of misgivings among Europeans and Americans is Malaysia's Look East Policy. Lurid stories have been told about Japanese and Koreans

having exclusive rights to contracts for projects and supplies in Malaysia. There were quite a few stories of bribery and corruption. The truth is that the Look East Policy has nothing to do with contracts and tenders. The best bidder wins and everywhere in the world the Japanese and the Koreans have been able to price their goods and services attractively. Even in England, unless you are fiercely British, you find difficulty not to buy Japanese goods.

21. The Look East Policy is concerned with learning Japanese, Korean and Taiwanese work ethics, management methods and organisation of business. These people are obviously successful in competing with the developed countries of the West. Surely there must be something they are doing right. We want to know what that something is. So, we look East.

22. But we have not stopped looking West. We have some 100,000 students studying in the West as compared to 500 in Japan and even less in Korea. For a long time these figures are not going to change much. So there is really little ground for worry. Malaysians are a conservative lot. They do not respond to change readily. They speak more and better English than they ever will Japanese. The Look East Policy notwithstanding, you still have a considerable edge. You know better how to use that. And the British Government will back you. Look at Bewater. It landed one of the biggest contracts in Malaysia.

Ladies and Gentlemen,

23. Things are looking up in Britain. The British disease is slowly being cured. British inventiveness and innovativeness are as strong as ever. Management is more professional. All these add up to a powerful economic force. It would be a pity to confine yourself only to Britain. In Southeast Asia, Malaysia is waiting for you. We have many things that will make you and your products even more competitive. Unlike others you have the advantage of knowing the language and familiarity with the systems and the laws. Indeed, you have all the advantages in Malaysia which others envy. We have buried the Buy British Last policy long ago. So do come to Malaysia. You are in the best position to nail the lie that only the Japanese can succeed in Malaysia.  
Thank you.