

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

EVENT: THE OPENING OF THE 1988 NATIONAL OUTLOOK CONFERENCE

VENUE: SHANGRI-LA HOTEL, KUALA LUMPUR

DATE: 29 NOV 1988

TIME:

Yang Amat Berbahagia Tun Ismail bin Mohamed
Ali, Pengerusi Lembaga Pemegang Amanah
MIER;

Yang Berusaha Datuk Dr. Kamal Salih,
Pengarah Eksekutif MIER;
Dif-Dif Kehormat;

Tuan-tuan dan puan-puan sekalian.

Saya mengucapkan terima kasih kepada pihak Institut Penyelidikan Ekonomi Malaysia atau MIER atas jemputan kepada saya untuk merasmikan National Outlook Conference ini. Saya difahamkan ini adalah kali ketiga persidangan ini diadakan yang merupakan pertemuan hujung tahun bagi segala aktiviti MIER untuk tahun ini. Saya berharap agar Institut ini akan terus memberi sumbangan yang berguna terhadap perkembangan ekonomi negara. Di sini saya mengucapkan tahniah kepada MIER atas peranan yang dimainkan oleh MIER dalam usaha memahami masalah-masalah ekonomi negara dan tindakan yang diperlukan bagi mengatasi masalah ini.

Ladies and gentlemen,

2. I am very happy that MIER is now well established and, in spite of its funding difficulties, is able to carry out its tasks and to make its own independent and meaningful contribution through its research efforts toward the understanding and finding of solutions to our nation's economic problems. Together with the government planning and economic management agencies, MIER could serve as a channel to articulate the concerns of the private sector and the public concerning national economic and financial issues.

3. When the idea of establishing an economic research institute was first brought up and discussed in the Economic Panel in 1982, its value and need was immediately recognised. I would like to congratulate Tun Ismail and his colleagues in the Council of Malaysian Invisibles Trade or COMIT, for successfully promoting the establishment of MIER, and the Board of Trustees who have guided it since its inception.

Ladies and Gentlemen,

4. As you know the Malaysian economy is doing extremely well after the serious recession of 1985. This year the growth rate is expected to register 7.4 per cent in real terms. This turnaround, from a negative 1 per cent in 1985, is remarkable by any standards. The figures released by Bank Negara recently showed that this recovery is due to strong growth in the manufacturing sector in addition to the recovery and higher prices for our traditional commodity products.

5. In the second quarter of this year, when the overall growth rate of real GDP was 10.6 per cent, the manufacturing sector grew by 19.6 per cent to lead all sectors in the economy. Overall, the second quarter performance is the best since the first quarter of 1980. Together with the strong showing in foreign investment which has recorded truly unprecedented growth, there is in addition a growing confidence in the domestic sector as seen in local private investment and consumer spending. Altogether the economy is well placed to maintain economic expansion for the next few years.

6. The Government is encouraged that its policies in adjusting to the world recession, which had a negative impact on Malaysia since 1982, and had led to the worst recession in the post-war period in 1985 when all commodity prices collapsed, had finally borne fruit. Through austerity measures introduced since 1984, we have been able to cut the Government's current account deficit which will now show a modest surplus this year, whilst the overall deficit have been reduced from 19 per cent of GDP in 1984 to just around 6 per cent in 1988. The Government will continue to maintain vigilance over its expenditure even now. We cannot afford to revert to the kind of lavish spending practised before even though revenues have improved with the economic recovery. I would like to commend the public sector employees, as well as those in the private sector, for their patience and cooperation in doing their bit towards achieving this success. It is their restraint and judicious spending during the recession which has resulted in the reduction in inflation rate to about 1%. This has negated the effects of the depreciated Ringgit in terms of purchasing power, except of course for imported goods.

7. It has been the Government's intention through its economic policies, to shift the engine of growth in the long-run to the private sector, while maintaining its social and political obligations to the people. Thus every effort has been made to encourage the private sector to play a bigger role in the economy. We have relaxed the regulations governing foreign and domestic private investment since 1986; we have provided new incentives for innovation and enterprise in new areas of economic growth. And now through the 1989 Budget, the Government has reduced corporate taxes

from next year to promote greater investment and business activity.

8. We have also announced plans to privatise many of the state-owned companies and services. Until then we will continue to urge the managements of these public companies to improve and do what is necessary to achieve profitability. It is essential that Government managers regard the companies and services they run as business concerns rather than social services. There is evidence that Government officers are beginning to orientate themselves to this business philosophy. The Government has also asked for a masterplan for the development of the small and medium scale industries so that we can broaden the base of industrialisation and create more jobs in the future. New tax incentives have been introduced in the recent budget for this. In all it is now up to the private sector to do their part in ensuring the continued and sustained growth of the economy.

Ladies and gentlemen,

9. I am aware that there is concern among the private sector and the people about the shape of the New Economic Policy after 1990. I would like to assure you that everyone will be fully consulted before we decide on what form the policy will take and what strategies will be adopted. We are aware that the policy will influence economic growth and we are not about to abandon policies which have contributed towards such growth. It would be very difficult to accommodate all the interests and the demands of the various sectors and groups, but we should arrive at a new consensus regarding the post-1990 economic policy. The political realities of this nation are not incompatible with economic growth and in the final analysis it pays to accommodate them. We can grow while contributing to the political stability which we know is essential to sustained economic performance. I am glad to see that this topic is being discussed in this National Outlook Conference.

10. I have indicated before that because of the changed conditions that we now live in, in terms of the very success of our own efforts as well as developments in the world economy, which is more competitive and more uncertain but at the same time more interdependent, we have to design our policies and strategies more carefully. We have to stress growth and wealth creation, and these need to be done in the context of restructuring our economy to ensure long term stable and sustainable growth. We have to however also ensure that relative poverty continues to be reduced and absolute poverty eliminated altogether from our country. We have also to take care of the less privileged and to provide greater employment opportunities. On top of that, our social restructuring goals specifically the achievement of the 30 per cent target of the bumiputera ownership of corporate stock and to enhance their participation in the

commercial and corporate sector, cannot be abandoned.

11. But all these objectives cannot be achieved without economic growth. The new policy will therefore have to continue to encourage new investments, both from foreign and domestic sources, and to promote productivity through the creation of new skills and adoption of new technology. We have to be creative and innovative, but at the same time more determined to achieve the goals we have set nineteen years ago. I hope everybody will play his part in this effort. All these goals, which the Government seriously intend to achieve, have unfortunately exposed us to threats and blackmail by certain parties. There have been efforts to rock the boat if not overturn it altogether, if we do not submit to their demands. Still this Government is not going to allow itself to be deflected and we are determined to achieve both political stability and economic growth. We think we can.

Ladies and Gentlemen,

12. Again I would like to thank MIER for inviting me to officiate this Conference. I am confident it will be a success, especially with the participation of prominent personalities in the economic and business sectors. With these words, I now have much pleasure in declaring open this 1988 National Outlook Conference.