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(PRIME MINISTER)

EVENT: THE UNITED STATES-ASEAN BUSINESS COUNCIL DINNER

VENUE: NEW YORK

DATE: 30 SEP 1993

TIME:

Mr. Maurice Greenberg, Chairman of the U.S.-ASEAN Business Council;

Distinguished Guests;

Ladies and Gentlemen,

It gives me great pleasure to address the U.S.-Asean Business Council today. The members of this Council have not only played a pivotal role in promoting trade and economic relations between the United States and the ASEAN countries, but more importantly have recognised the need to enhance the momentum of this mutually-beneficial cooperation between the two regions.

2. I am gratified too that the present U.S. administration has shown a greater interest in East Asia, especially trade and economic relationship with the region. With U.S. external trade alone exceeding US\$1 trillion last year, it is gratifying to note that in the past few years there has been a phenomenal growth in trade between the Pacific countries and the U.S. Exports to the Asean region alone have grown by almost 25 percent.

3. To ensure that this momentum is sustained, it is crucial that we maintain those conditions that have fostered growth and continue to explore ways to reinforce such conditions. Of these, free and fair trade have obviously contributed a good share towards the growth of trade between the two regions.

Ladies and Gentlemen,

4. It is essential that new political, security and economic considerations brought about by the end of the Cold War do not negatively impact on our trade relations. The United States' role in promoting the economic and trade potential with the ASEAN region cannot be overstated.

5. I understand that the most encouraging facet in the U.S. economy has been the growth in its exports. The new emphasis on exports is, I believe, a contributing factor. The United States needs trading partners, and we in Malaysia understand the importance of this. When we achieved independence we did not get rid of foreign business interests. Instead we encouraged additional foreign investments from Japan, Western Europe, Taiwan and the

United States. This has reduced unemployment and made Malaysia prosperous. The investing countries not only gained from Malaysia's comparative advantage, but the prosperity of Malaysia makes it a good market for their products as well.

6. There is an unfortunate tendency in the U.S. to link trade with non-trade issues such as human rights issues, labour practices, the environment and economic policies. The result of scrutinising these issues is to stifle trade.

7. It should be noted that developing countries are disadvantaged. Frequently they depend on one or two primary commodities for their foreign exchange earnings. If they go into manufacturing they are handicapped by the lack of technological know-how, capital, domestic market or even management expertise. About the only thing they have is low-cost labour. If this is taken away from them or nullified in some way, they will not be able to industrialise at all. If they don't grow and prosper, then they will not be able to buy the products of the sophisticated developed countries. By stifling their growth you will in fact deprive yourself of markets for your products.

8. During the Cold War years, many developing countries grew accustomed to getting preferential access for their goods to markets in North America and Europe. Clearly these privileges render them vulnerable to threats of withdrawal. Malaysia, as a developing country, has GSP privileges. For some years now there have been threats of withdrawal because of alleged restrictions on the freedom of association of workers in the electronics industry. Now it is well-known that even in the U.S. not all workers are unionised. In Malaysia where electronic manufacturing companies are of various sizes and enjoy different degrees of profitability, we prefer that they have in-house unions rather than national trade unions. Powerful national unions have been known to destroy the economy of even developed countries. And when the economy is destroyed it is the workers who suffer the most. On the other hand in-house unions can do little harm as they affect only the respective company. Yet in-house unions are still able to protect the interest of workers. Clearly our labour policy is in the interest of the workers.

Ladies and Gentlemen,

9. The attractiveness of Malaysia as an investment centre is partly due to good industrial relations. Such is the attractiveness of Malaysia's investment climate that huge labour-intensive industries have been set up resulting in full employment. With full employment wages have gone up. Clearly Malaysian workers are not losing anything because of the Malaysian labour laws and policies.

10. Foreign investment remains a vital ingredient of Malaysia's economic and technological development. We are

particularly interested in investments in the manufacturing sector. Last year, for instance, the manufacturing sector contributed 28.9 percent of Malaysia's Gross Domestic Product (GDP). Manufactured products accounted for nearly 70 percent of Malaysia's export earnings. Electronic goods make up 48 percent of these exports. The overall result of the economic policy and its management is a growth of eight percent per annum for the last five years.

11. Usually high economic growths are accompanied by high rates of inflation. In Malaysia's case the rate has remained low-ranging from two percent to 4.7 percent. In fact, despite continued high growth, the inflation rate has actually gone down. It is now 3.9 percent, down from 4.7 percent in 1992.

12. We are also politically stable and blessed with a young, trainable and disciplined workforce. Infrastructure is continually being upgraded and expanded. Telecommunications facilities, banking and other services are well above average for a developing country, and are continuously improving. The Asian Development Bank (ADB) recently reported that Malaysia's banking system is among the best in South East Asia.

13. With all these going for us, it is regrettable that with the exception of the petroleum and the electronics sector, there have been few notable investments by American businesses. We continue to get far more investments from Japan, Korea, Taiwan and Singapore than from the U.S. It is our desire to encourage and see more investments from the U.S., especially from the small and medium-scale industries.

14. The U.S.-ASEAN Business Council is aware of the vast opportunities that exist in the manufacturing sector in Malaysia. However, some of its members may not be aware of the opportunities in resource-based industries, agro-based industries, ancillary and supporting industries, the manufacturing of precision products and the manufacturing of industrial machinery and parts.

15. U.S. business is also welcome to set up regional operational headquarters in Malaysia. Foreign-owned multinational subsidiaries carrying out certain activities are provided with tax incentives. Labuan, an international offshore financial centre, also offers a number of business opportunities typical of tax havens. Foreign business may also come in and participate in activities associated with tourism and tourism-related projects.

16. I have outlined these broad parameters of business opportunities and the incentives for such activities to demonstrate our policy of welcoming foreign business investments.

17. Malaysia, like other developing countries, is also

concerned that environmental conditionalities are being imposed to restrict the inflow of development funds from multilateral lending institutions and the export of certain finished products made from tropical timber. We have enacted laws to check illegal logging and bring down the annual harvest of tropical timber. Malaysia wishes to preserve its rainforests. It is in Malaysia's interest to do so. More than 50 percent of Malaysia is covered by forests and if we include tree plantations, more than 70 percent is tree-covered. We cannot be having 50 percent forest cover if we are indiscriminate about logging.

18. Also, there have been reports that Malaysia and other countries in the region are involved in an arms race. The alarming tone of these reports conveys the impression that we live in mutual antagonism and discord among the countries of the South East Asian region. South East Asia is getting more prosperous and it is natural that we expand some money to upgrade our modest defence establishment. That is not an arms race. We believe in the negotiating table even with China. We do not look upon China as a potential enemy.

Ladies and Gentlemen,

19. With the ending of the Cold War there is a tendency to believe that democracy has triumphed. To a limited extent the western democrats are right. But democracy does not mean the same thing to different people. Even among erstwhile western democrats interpretations differ. Unfortunately some democrats do not believe in democracy when foisting that political system on others. They are quick to apply pressures and to make threats.

20. Democracy is not the easiest of political systems. It took the West several centuries to apply it. Even then it does not always work. Racial intolerance, fascism and unstable as well as ineffective governments abound. Italy is a good example. It is unrealistic to expect countries with no experience of the democratic system to suddenly espouse and excel as democracies. And the former colonial territories were never ruled through the democratic system. How are they to practise all the minute provisions of the latest western interpretation of democracy? Look at the bungling and near anarchy now bedeviling the countries of Eastern Europe and the former Soviet Republics. Indeed the tragedies of Yugoslavia and others are directly attributable to the attempts at democracy.

21. Though disadvantaged in many ways, the developing countries aspire to develop their economies, uplift their peoples, and also provide some form of democracy in their political system. In the short term, the concerns of most countries are to provide food, shelter and clothing. In many countries, the pursuit of these objectives has been affected by a lack of political stability, ethnic and religious strifes, disunity and most frequently a lack of indigenous resources. Malaysia, fortunately, does not suffer from these disabilities.

Ladies and Gentlemen,

22. Malaysia's development policies emphasise national unity, income redistribution, the eradication of poverty and the elimination of the identification of race with occupation. Our strategy combines economic, social, legal, labour and educational tools. We cannot allow criticisms of our laws and policies by outsiders to disorientate and destabilise us. To become dynamic, vibrant and prosperous we have to shape our policies and style of administration to our local situation -- that of a multi-racial developing country with very few resources initially.

23. Malaysia welcomes foreign involvement in its economy ever since it gained independence. That attitude and policy have paid off. We wish to continue with them. All we ask is some understanding and sympathy for our system and policies.

24. Americans, and in particular American businessmen, at least those who have been there, are sympathetic. But many Americans shape their opinions and act on the basis of news-paper reports. These reports are sensational and unsympa-thetic. Even economic and business reports are more political in content. The result is a distorted view among their readers. In the case of businessmen, there is a reluctance to invest in Malaysia. This is one of the reasons why American investments lag behind those of other countries. This is a pity because those who have invested in Malaysia have reaped very considerable profits. Indeed even when they are not doing well at home, their Malaysian operations are profitable. I hope the U.S.-ASEAN Business Council can help correct the distorted view of Malaysia and bring about not only greater friendship between the two countries but more American investments.