

SPEECH BY: Dato' Seri Dr. Mahathir bin Mohamad  
( Prime Minister )

EVENT: The CHOGM Meeting

VENUE: Edinburgh, United Kingdom

DATE: 24 Oct 1997

TIME:

TRADE, INVESTMENT AND DEVELOPMENT:  
THE ROAD TO COMMONWEALTH PROSPERITY

1. Let me begin by expressing my sincere thanks to the Right Hon'ble Prime Minister Tony Blair, the Government of the United Kingdom and the City of Edinburgh for the excellent arrangements made for this CHOGM, and the friendly and warm welcome.

2. I would also like to thank Secretary-General Chief Emeka Anyaoku for the honour to lead the debate on the "Special Theme Paper -- Trade, Investment and Development: The Road to Commonwealth Prosperity".

3. Globalisation is bringing about unprecedented economic restructuring among countries. It is also having a significant impact on world production, trade and investment. Market oriented structural reforms including deregulation, privatisation and increased openness to foreign trade and investment have been generally embraced. While the impact has been most striking in East Asia, fundamental policy changes are also underway in South Asia, Latin America, Africa and the Middle East.

4. Globalisation and liberalisation in trade and investment can catalyse growth and development. The words have however been used very loosely, without clear understanding or definition. This may result in anything and everything being labelled global and liberal but which may benefit some and disadvantaged others. We should note that the relatively equally developed countries of Europe have found difficulty in eliminating barriers to create the European Union. There is still apprehension among some that union or opening up might be to their disadvantage.

5. The countries of the world are less homogeneous in terms of development and it is very likely that removing borders and liberalisation may result in a severe loss of competitive advantage which can permanently impair development.

6. Still if the world is to progress and prosper trade

barriers must be reduced. To do so we have to consider the state of development and the competitive advantages of the different countries. The playing fields may be level but for competition to be fair the players must be evenly matched. Otherwise the disadvantaged will only be further disadvantaged in a world without borders and barriers.

7. I am sounding a note of caution here simply because Malaysia is currently suffering from an attack on its economy after having embraced the concept of globalisation and liberalised its trading and investments rules. Forty years of sweat, toil and tears can be shattered in just a few weeks under present rules in which we had no say in the formulation i.e if there are rules at all. And so we must be cautious when embracing concepts not of our own making.

8. This apart, I would like to acknowledge the benefits of opening up the country for foreign direct investments and a more liberal trade regime. Much earlier than most other newly-independent countries, Malaysia decided to invite foreign participation in its economy. In particular its industrialisation program.

9. No country can develop based entirely on the production of commodities. Unfortunately industrialisation needs capital, expertise and markets which no developing countries has. Foreign direct investment is the answer. The local contribution should be land, labour and a liberal investment climate. Our main concern in Malaysia was jobs for our people. For this we were quite happy to forego taxes of all kinds.

10. The rapid industrialisation of Malaysia was made possible by this opening up of the country for foreign investment.

11. The industrialisation strategy resulted in full employment in Malaysia and 82 percent of the country's 70 billion USD of export is made up of manufactured goods against almost none before. In addition the resultant prosperity created new businesses and an enlarging middle and high income class together with a high growth in Government revenue. In the last five years we have been able to exhibit large surpluses in the Government budgets.

12. Naturally as industrialisation progressed trade grew along with it. In fact the multi-nationals often export 100 percent of the products they manufacture. Local manufactures gained confidence and began to export. Trade grew.

13. The import trade grew in tandem with the growth of

exports. In the case of Malaysia we have been seeing lately a greater growth of imports, resulting in a deficit in the balance of payment. This is being remedied by judicious control of the import and stimulating exports.

14. The growth of trade brings along with it a lot of other economic activities. Transport and travel grew, requiring investment in ports, airports, roads, railways, banking industry, hospitality industry, insurance and other services. All these create wealth, prosperity and economic development.

15. The economic growth of different countries cannot always follow the same route. Some have vast resources, others can benefit from their strategic locations while others may have unlimited human resources. However there can be no doubt that some at least of the strategies of others, can be made to work for the development of every country. There can be no doubt that trade and investment including direct foreign investment can play a role in the economic development of every country.

16. I have said before that the wealth of the Commonwealth is not common. Most of the wealth is still with the original five members. Over the past 50 years many former British territories upon attaining independence had opted to join the Commonwealth. No doubt many expected to have a share of the wealth. But the fact is that the wealth has not become common to the Commonwealth. And yet it should not be. The countries of the Commonwealth are in a unique position to help each other achieve development and wealth. This is because no group of countries in the world enjoy such a wealth of common features.

17. Firstly we all understand a common language -- English. We know very well how important is a common language in business. We obviously have a decided advantage.

18. Secondly despite the adoption of different ideologies and systems, the administrative machinery has always been modelled after the same British model. The laws are also similar, being based on British Common Laws.

19. The very organisation of the Commonwealth should enable us to keep in close touch, to consult and to compare notes and to cooperate in various ways.

20. Yet despite all these positive features in favour of it, the members of the Commonwealth have not really gained much from the organisation. We can only blame

ourselves for this.

21. In the 50's and early 60's when most of the former British colonies were granted independence the flavour of the time was socialism with its ideal of a society of equals. Even the developed members were not free of this idealism, this vision of an equitable society where work should be less and less while pay should be more and more.

22. While the wealthy Commonwealth countries allocate more and more funds for social benefits and increased wages beyond their means, the new Governments of the poor countries opted for nationalisation and state enterprises which they soon found were quite incapable of running the nationalised industries. Lack of incentives in a society dedicated to equal pay for unequal work did not help.

23. To make matters worse the world then believed in handouts and loans to help the newly independent countries to develop. Much of the aid was misused while the loans accumulated so that in the end repayment exceeds the disbursement of new loans to the developing countries.

24. In the last two or three years several countries of the Commonwealth together with non-Commonwealth countries decided to explore new ways of cooperating between countries for growth. Instead of aid and loans, it was decided that there should be partnerships, partnerships involving the Government and the private sector, together with foreign investors. Such a partnership should benefit all the partners evenly. It should involve true participation by all according to the area of expertise or resource that each has. Thus while one country may play the host and supply the workforce, another would supply the expertise and the management and the third the capital. The objective is to enable the host country to develop the knowhow and to be able to set up and manage similar enterprises on their own later on.

25. The focus is not just on investment but also on Government administration, laws, policies, practices and ethics conducive to the good running of the projects invested in. This is essential because the running of a market economy is far more complex than that of the centrally-planned socialist economy. It must never be assumed that the skill of management is hereditary. In the context of a modern economy, management is really very complex and needs great skills. Such skills can be acquired.

26. The Commonwealth certainly can do a lot to make a

success of the Smart Partnerships proposed by the Langkawi International Dialogue (LID), the Southern Africa International Dialogue (SAID '97) and the Barbados International Dialogue (BID). Many of the Commonwealth countries which have matured and successfully managed their development would be in a position to help. They can provide the training, participate in the Smart Partnership enterprises and help market the products. They can engage in the privatisation of the Government institutions and the infra-structure projects.

27. All the while it should be remembered that the partnership is an equal partnership between parties which are not equal. The interest of the weakest partner must be given special consideration even though the commercial viability and profitability must be maintained.

28. We have not much time left. The world is galloping ahead towards liberalisation and globalisation. Borders are being forcibly dismantled. The Commonwealth may soon find that membership of the Commonwealth would be considered less important than membership of the world community. The non-Commonwealth powers are not going to allow exclusivity within the commonwealth. They see wealth to be exploited in the Commonwealth. And they are not going to be kept out simply because they are not members of the club.

29. Some of us may be prepared for the borderless world. But most of us will not be. We in South East Asia have seen how anarchic a globalised world can be. Already we hear of new philosophies such as 'Greed is Great'. People who rob the poor can pose as philanthropist and receive accolade.

30. This is an unfair world. Many of us have struggled hard and even shed blood in order to be independent. When borders are down and the world become a single entity, independence can become meaningless. All will be equal of course but the cunning and the rich will be more equal than the rest.

31. It is imperative that we understand what is in the offing. We can then choose to struggle alone against overwhelming odds or to stay together as a Commonwealth and try to bring about some order to the globalised world that is being touted by those with much to gain.

32. With the advent of the Information Age we have no choice but to become more liberal and to accept globalisation. But doing away with borders and national policies and laws need not mean doing away with rules and regulations completely. The globe or the world

should have a properly legislated code of behaviour which are applicable to everyone and which will protect the weak from the strong.

33. I hope the Commonwealth will survive the Information Age and the globalised world. It will if it makes itself relevant in terms of tradition, trade, investments and development. But it will take some doing for the forces which are lined up to take advantage of the new trend may not necessarily be sympathetic to what they see as an anachronism in a globalised world.

FILE NAME: SP2410