

**SPEECH BY TUN DR MAHATHIR BIN MOHAMAD  
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1. I would like to thank the Malaysia External Trade Development Corporation (MATRADE) for inviting me to deliver a keynote address at this Kuala Lumpur International Trade Forum for 2008.
2. The general theme for this forum is “Optimising Global Opportunities”. This is a particularly difficult subject to talk about considering the state of the world today. There does not seem to be many global opportunities. Rather the opportunities seem to be decreasing.
3. Before we can talk about Global Opportunities we have to take stock of the world’s economic and political situation prevailing now and the possible development that will take place at least in the near future. Only if we do this can we identify any opportunities still remaining.
4. Malaysia is a trading nation and we trade with almost two hundred countries in the world. The health of our trading partners is important to us. Obviously if our trading partners are not doing well then our trade with them will suffer.
5. The collapse of the major banks of the world has reduced tremendously the purchasing power of most countries. If the peoples of the rich countries like the United States cannot even pay their housing loans, how can they be expected to pay for the things they import from other countries. Certainly they will not spend the little money that they may have on imported goods which are not necessities. And our exports fall into this category.
6. The United States for example take up 20% of our total exports. We will not lose all of course but the decrease in their off-take would still be substantial.
7. Of course the reduction will not be with the United States alone. Europe too would have to reduce their imports from us. Even other countries will feel the effect of the credit squeeze and their banks will not be able to finance trade.
8. Most of the countries of East Asia are dependent on trade for their economic growth. A reduction in the trade volume would stifle growth.
9. Looking for new opportunities in a world in recession would be challenging. The obvious answer would be to look for new markets. There will not be too many of these. But a part of the world that will remain flushed with

money would still be the oil-producing countries of West Asia. Their needs would however not be the same as Europe or the United States.

10. Our exports to many of the developed countries usually consists of components and basic elements of electronic and engineering products.

11. If we wish to replace United States and European markets with the oil-rich countries of the Middle East we obviously cannot simply export to them the engineering and electronic components products. We need to produce what these new trading partners need.

12. For this we need to do very extensive market studies. We know that these countries are growing their cities very fast. They are building new skyscrapers, roads and all kinds of infrastructure projects to meet a growing population that is rich. Anyone can see that they want the best in everything. And they can pay.

13. Clearly they are going to need building materials, including large quantities of cement and steel. They will need tiles and claddings, timber flooring, furniture etc etc. They will need pipings of all kinds. In fact they will need everything that goes into the construction of buildings as well as infrastructure projects.

14. The environment and climatic conditions in these countries differ from those in Malaysia or in the countries we used to export our goods to. Mainly the climate is hot and dry. The products they will need must be capable of withstanding these conditions. There will obviously be a great demand for cooling systems of all kinds.

15. We all are already producers of all these things but not with the specification, quantities and qualities that would meet the needs and the standards of the rich people of the Middle East. We will all have to upgrade and expand our manufacturing plants for these goods.

16. For the past four or five years business opportunities in Malaysia had not been as good as before. Seeking new opportunities many Malaysians have already gone to the booming Gulf States where they are much involved in construction work, engineering services, town planning, building power plants, harbours and ports etc. Their being there can lead to their sourcing many of their needs from Malaysia and other exporting countries. In fact this is already happening. But the size of the exports can be increased many times. Malaysian steel fabricating companies have seen a steady increase in the demand for their products and services.

17. Oil exploration has not really slackened despite the problems of the world economy. Oil prospecting, drilling, producing, refining, transportation will create a lot of new opportunities. The petro-chemical industry will also expand and along with it, the related industries.

18. Shipping, bulk transportation of petroleum products and other raw materials will also grow. So will air cargo. Dubai now has a big and very busy airport handling passengers and freight. Those with imagination can identify opportunities from Dubai's fast-growing air transport facilities.

19. At home there will be a need to restructure industries to meet these needs. New plants to produce building materials, construction steel, engineering products, furniture, etc will have to be built alongside or in place of the electronic and electrical components plants. The competition between the different countries will be stiff but there will always be advantages that each country would be able to exploit. This would include raw materials, power supply, lower labour cost, trainable and disciplined workforce and a host of other assets.

20. Each country would have to do an audit of its assets in order to exploit them fully for the new industries to replace the old ones. Workers will need to be retrained. Innovations in production methods suitable for mass productions of high quality goods will have to be introduced.

21. Malaysia was an agricultural country at independence in 1957. The need to create jobs for its expanding work force led to its entry into the manufacturing industry. The people responded very well. They went from the rice fields and rubber estates to factories where they needed to be more disciplined and to work to a strict time table. Such was the success in job creation through labour intensive foreign-owned industries that Malaysia experienced a shortage of labour. It had to import foreign labour to take up the new jobs being created.

22. To increase the incomes of Malaysian workers hi-tech industries requiring greater skills and higher educational qualification have been introduced. The transformation has not yet been completed when the world's economy took a turn for the worse. Now we will be training our workers for relatively low tech jobs if we are to meet the demands for the products for the Middle East market.

23. We cannot however lower the wages to the old labour intensive industries level. This will pose a problem. But industrialists must find ways of increasing their productivity without increasing their unit cost too much.

24. If we are going to find new Global Opportunities we have also to look into what we need to do domestically. Here the Government must play a major role and provide good support for the new opportunities that have been discovered either by the private sector or the Government itself.

25. Before the present economic and financial crisis Governments were supposed not to interfere with the market. The market would regulate itself. But it is now clear that the free market has not only failed to regulate itself but it has positively aided in abusing the system. Instead of trading in goods and services

the market became a big gambling casino, dealing in non-existent funds and shuffling papers.

26. Where trading in goods and services could give profits only as a small percentage of the capital outlay, shuffling papers as in securitizing loans through second mortgages or insurance can give huge profits often more than the total capital outlay. It is said that the trade in currency for example is 20 times the total value of world trade. The profits must be many more times higher.

27. These opportunities to make lots of money were created by greedy and irresponsible people. And they were able to do this because the markets were not regulated by Government.

28. If we are to avoid a recurrence of the current crisis, the free market must be replaced by old-fashioned Government supervision. But more than that the Government must actually create conditions favourable for new real business.

29. When Malaysia decided on industrialisation to grow our economy we found that we had neither the capital nor the technology nor the management and marketing knowhow to go into the manufacturing industry. Accordingly we decided to invite foreign investors. But invitations alone were not enough. We had to make our country attractive to the investors, for example through tax holidays.

30. We now have to do the same for industries which must replace the electronics industry. The Government must provide certain suitable incentives which may include soft loans, preparation of suitable sites, provide the necessary infrastructure, tax incentives etc.

31. Beyond that the Government must also help with identifying the new markets and carrying out market surveys.

32. Governments are usually more credible than corporations or companies, at least in the beginning. In seeking new markets Government must work closely with the private sectors. Missions involving the Government and the private sectors must go abroad to identify and define the markets, establish contacts with the members of the Governments of the countries concerned and generally to open doors for the companies not yet known to the markets.

33. Governments must also financially back the exhibitions and promotions of the products to be exported. At the same time Government must ensure the exported products meet quality standards.

34. These are things that countries like Malaysia have done before. But if new opportunities are to be found and exploited the old strategies must be revived and improved.

35. All these things must be done where the intention is to build up new markets for suitable products. But they will not be sufficient to replace the huge markets that will be lost because of the collapse of the economies of the rich countries. There must be other opportunities.

36. It is well-known that the European countries have been doing a lot of business in the “poor” countries of Africa and elsewhere. Malaysians will remember how until 1991 Malaysia ignored the South American continent and did not bother to do business with them. We were biased because these are Spanish and Portuguese speaking countries and we assumed it would be difficult to do business with people who could not speak English. But after a determined effort to build up these markets Malaysia now have a substantial trade with the countries of Latin America.

37. We have also not given the countries of Africa the right kind of attention. These countries may have low per capita and GDP and consequently do not present good markets. But they are usually rich in resources. If we cannot sell much to them now, we can still buy a lot of raw material from them. After this they will earn enough money to become good markets for our products.

38. In the distant past we used to talk about prospering our neighbours. We believed that when neighbours become prosperous they will not only become more stable but they will become rich markets for our products.

39. So we stand to gain much from helping neighbours (near and far) to become prosperous by buying their raw materials as they would then be able to enrich us by buying our products.

40. We need to study these “poor” countries for they can be quite rich in resources. They are only poor because they do not have the means to exploit their wealth. If we in one way or another help them to improve their GDP, we can gain from the increase in their purchasing power.

41. Another region which can present good opportunities is Central Asia. Accessibility is poor at the moment. Long ago I had proposed linking Southeast Asia by rail with Kunming in China and then on to Central Asia. This can overcome their logistical problems. If this is resolved through rail links, Southeast Asian trade with Central Asian countries should grow.

42. We had also proposed a super broad gauge railway capable of carrying bulky and heavy goods cheaply. When the demand for oil grew in the 1970s, huge tankers were built to carry the oil cheaply. Why cannot there be super trains to carry large quantities of raw materials and oil from China and Central Asian countries to Eastern Europe through Central Asia. The British contributed

to the growth of the countries of Latin America by building railroads. America of course opened up the West with their trains.

43. The investment would be very big. But the oil rich and cash-rich countries could consider long term investment in this super train so that the land-locked countries of Central Asia would become as accessible as those directly accessibly by sea.

44. The construction of the railway lines linking Malaysia with China via Thailand, Laos, Cambodia and China and then the super broad gauge line linking China to Eastern Europe would in themselves create opportunities for all kinds of construction companies for years. Providing the rolling stock, the electrical power, coal etc would also help generate wealth for the countries concerned, for foreign engineering, supply and construction companies, for the cash-rich investors and a whole lot of people. Certainly the workers in those countries would benefit.

45. Now is the time to do this. There is a huge surplus of funds with nowhere to go. Buying bonds is no longer a good way of investing surplus funds. But by helping to enrich the poor countries of Africa and the land locked countries of Central Asia, everyone and the whole world would stand to gain.

46. Although there is much to decry about European expansion beyond their small continent, there can be no doubt that with their technology and their wealth they had helped to release the potentials of many poor countries in the isolated parts of the world in the past.

47. If we, the whole world were to help optimise the opportunities clearly present in many parts of the world particularly those that had missed the mainstream of world development, we can mitigate the deleterious effects of the economic meltdown that is destroying much of the development we had achieved over the last two centuries.

48. We would certainly be optimising the relatively few global opportunities in these times of world recession.

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