

**Tapping the nation's
resources to the full**

● The Prime Minister's key-note address at the seminar on "Framework for Malaysia Incorporated and Privatisation towards national productivity".

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IT is an honour for me to be given the opportunity this morning to deliver the key-note address in this seminar. The Malaysia Incorporated and Privatisation concepts have indeed sparked off a tremendous amount of interest and enthusiasm in the nation and this is truly a good sign. To me, it indicates that the nation is ready for new ideas and new approaches in the task of nation-building. This is very encouraging.

But as with all new ideas, there is a certain amount of mistrust and misapprehension. There is also a great deal of misunderstanding which tends to dampen the fervour of the people as a whole. Let me begin by going over some of the things I have already said in the past in regard to Malaysia Incorporated and Privatisation.

Firstly, the Malaysia Incorporated concept should not in any way be construed as a move to make Malaysia a corporation or company with me as the chairman or managing director. A sovereign State cannot be a business company. It can only be run like a corporation with certain divisions responsible for production, sales and marketing, others responsible for research and promotion, and yet others for providing supporting and ancillary services.

In a nation, the private sector forms the commercial and economic arm of the national enterprise, while the Government lays down the major policy framework and direction and provides the necessary back-up services. Thus, the Government becomes more the service arm of the enterprise.

The Malaysia Incorporated concept, then, requires that the economic and service arm of the nation work in full co-operation so that the nation as a whole can gain in the way that a well-run corporation prospers. Government equity participation does not constitute a part of the Malaysia Incorporated concept. There should be no confusion between the involvement of the Government in business and the Malaysia Incorporated concept.

The Malaysia Incorporated concept, therefore, requires that the private and public sectors see themselves as sharing the same fate and destiny as partners, shareholders and workers within the same

"corporation", which in this case is the nation. The "corporation" will only prosper if its commercial and economic arm, i.e. the private sector, does its best to promote production, marketing, sales, etc. and optimise the returns on investment. The service arm of the "corporation" i.e. the Government will provide all the support needed. The success of the "corporation" will benefit both the service and the economic arm. As everyone will be in one sector or the other, success will benefit all the citizens of the country. It is important to remember here that even the unskilled worker or the hawker plays a role in the economic sector and is therefore involved in the Malaysia Incorporated concept.

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no question of one sector having to do more for the nation while the other sector can sit back and relax. Both the private and the public sectors will face added responsibilities and challenges. Mutual understanding, co-operation, trust and confidence in each other will become the basic ingredients for success. Without satisfying these basic requirements through mutual adjustment of our management attitude and philosophy, we will never be able to translate the Malaysia Incorporated concept into a meaningful and rewarding reality.

In brief, the Malaysia Incorporated concept means close and mutually supportive co-operation between the private and the public sectors. The private sector means just about everyone outside that part of the public sector which deals with service to the public. Government trading corporations are essentially a part of the private sector — unless, of course they are also endowed with regulatory functions. When they are, they must extend the fullest co-operation to the private sector so that the spirit of Malaysia Incorporated can be maintained.

The private sector must understand national policies, objectives and procedures in order to facilitate their dealings with the Government. They must ap-

Where all citizens contribute and gain

Malaysia is not a socialist country. But a large number of public utilities have historically been Government owned. Indeed, Malaysia is unique where the health service is concerned. It is the only country outside the communist world where medicine is almost entirely free. The British National Health Service which entitles every citizen to free medical treatment requires the citizens to pay seven per cent of their annual income to the Government to maintain the service. Employers are required to top up to make the total 15 per cent. No such contribution is required in Malaysia.

In addition to the large number of public utilities, the Government has moved into business in the interest of the New Economic Policy (NEP). This move was made necessary because there were not enough capable Bumiputeras, both in terms of skill as well as capital. Unfortunately, with the exception of a few, most of the Government enterprises have lost money.

The position has now changed a great deal. In addition to a fairly large number of Bumiputera entrepreneurs, there are a number of funds owned by Bumiputeras which can be tapped as a source of capital. The non-Bumiputeras too have changed their attitude. Whereas before they would invest only in family-owned businesses, now they are prepared to put money in large publicly-owned and professionally run corporations. Indeed, it is no longer strange to see share offers being over-subscribed by 20 or 30 times.

At the same time the size of funds required for investing in utilities has increased by leaps and bounds. It is not uncommon for \$10 billion to be required for one project alone. The rapidly growing sophistication of modern commerce and industry in Malaysia requires the most up-to-date facilities. Failure to provide these facilities will retard growth.

It is in the light of all these changes that the Government has decided that the time has come for pri-

preciate that regulations and procedures are not made to frustrate them, but are in fact a means of ensuring orderliness in commerce and industry. If these are unduly obstructive, they can be modified by proper use of channels of communication between the Government and the people. They must also appreciate the need for courtesy.

On the other hand, the service sections of the Government, the policy and lawmakers have a duty to ensure that no undue hindrance is put in the way of the private sector. Courtesy should be reciprocated by courtesy. Nothing is lost by giving good service. Indeed the benefits are substantial because it is the private sector that provides the revenues necessary for Government expenditure of every kind.

In fact, the maintenance of the Government services absorbs almost all the revenues derived from commercial activities. The more the revenue collected, the better would be the direct benefits to the public services. And more revenues can only be collected if there are more economic activities, particularly more profits.

I would like now to touch on privatisation. Ever since socialist theories were propounded, Governments, whether they believe in free enterprise or not, have been asked to undertake more and more responsibilities affecting the daily lives of the people. Originally, of course, Governments were only responsible for law and order. But as communities grew larger and more complex it became evident that certain utilities should be provided and maintained by the Government, or at least, by a local authority. It was the communists and socialists who demanded that even business should be owned and managed by Governments. Rather naively they felt that Governments of the people would be fair to the workers who make up the vast majority of the people.

It has since been shown that Government owned and managed businesses are not necessarily good to the workers. In communist countries the workers remained poor while money is spent on arms, power games and proxy wars. In socialist countries the most striking thing is the number of strikes and demands for better treatment by workers in Government owned companies. Obviously, Government ownership does not necessarily mean absence of exploitation.

At the same time public owned enterprises never seem to be profitable or efficient. Even when they are monopolies they cannot seem to earn their way, much less pay tax or dividends to the owner - the Government. More often than not a privately owned enterprise which has been making profits and paying taxes, not only ceases to do both on nationalisation but will require subsidies and copious injections of capital every now and then, by the Government.

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vatation to take place. In the first place it will negate the objectives of the NEP. The Bumiputeras will get their share, both in terms of equity as well as employment. Private sector participation will lessen the burden of Government with regard to funds. Hopefully self-interest will ensure that the utilities and other Government owned corporations transferred to the private sector, either fully or partly, will be better run, more efficient and profitable.

The alternative to privatisation may be to stop improving or providing the needed facilities. This will result in increasingly poor services and will stifle growth. Development will be retarded and the second prong of the NEP, poverty eradication, will not be accomplished.

The Government is conscious of the possible bad effect of privatisation on the affected employees. We are not about to disregard their fate. Privatisation will not be allowed to take place unless we can be assured that employees will not lose by it. Indeed, it is quite possible that employees will be better off through privatisation. Certainly if all goes as expected, in the long run the employees will benefit.

On the other hand the fact that has to be faced is that development will not be possible at the desired pace unless the shortage of Government funds can be made up through private sector investment and nar-

ticipation. The Government cannot forever run institutions in order to sustain or create employment. In the case of new facilities there will be no old employees who are going to be affected.

Privatisation is proposed because it is good for the nation, i.e. for everyone. While fears regarding its effect on particular sections of the community should not be brushed aside or even minimised, it is equally important that opposition should not be general or ideological. A pragmatic approach that takes into consideration the interests of all sectors and the nation as a whole is what is required.

Privatisation is not formulated for the benefit of any group or political party. Everyone should benefit from it, or at the very least should not lose by it. The NEP will not be ignored. It is also wrong to assume that only Bumiputeras are entitled to the benefits of privatisation. Non-Bumiputeras are equally eligible. Indeed, the Government would favour Bumiputera/non-Bumiputera partnerships rather than exclusive groups. Of course, such partnership must be genuine.

Privatisation does not mean that Government and the bureaucracy washes its hands clean of any responsibility after it is taken over by the private sector. The accountability for any public services or functions transferred to the private sector remains with the Government. The Government remains accountable to the public and must, therefore, continue to take the responsibility for seeing to it that privatisation brings out all the advantages of such a move but with minimum amount of disadvantages. Such disadvantages include a break in the continuity of the services concerned, an undue or unfair rise in costs and possible gaps in coverage at an early stage of privatisation.

The private sector must be aware of this and must be able to work it out with the Government so that the disadvantages will remain at a minimum level. Otherwise, privatisation will become abortive right from the word go.

I have gone into various aspects of the needs and requirements for Malaysia Incorporated and Privatisation, the responsibilities and challenges facing both the private and public sector managers, and the common awareness that must be developed in order to make them work.

All that needs to be said in conclusion is that the Malaysia Incorporated and Privatisation concepts call for all of us to start formulating and adopting a

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common national corporate philosophy and strategy for action. The time has come for all managers in the private sector to stop thinking of progress and development in terms only of what their own companies and firms intend to do. All must now start thinking in terms of contributing to the well-being of the nation as part of their responsibility and *raison d'etre*.

Malaysia's future depends on improved productivity and the ability to sell more and more goods to the world. The Government is ready and willing. The private sector and the people as a whole must now play their part. Then, and then only can we succeed.

Malaysia has the resources. It has the manpower. It has the basic skills. It is rich enough to buy the technology if home-grown technology is not available. Malaysia is stable, prosperous and strategically situated. Indeed the list of positive assets of Malaysia is long and impressive.

But to succeed we must have the right attitude. We must cultivate the right values and ethics. We must have the right principles and approaches.

The Government believes that we have the right formula now. In the Malaysia Incorporated and Privatisation concepts we have the right combination to propel Malaysia to greater heights of achievement, to the betterment of both the spiritual and material well-being of her people. It is up to us now. Let us join hands and work together so that we will not be ashamed of the legacy we bequeath our beneficiaries, the future Malaysians.