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## Dropping the crutches

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THE 2002 Umno general assembly will go down as a watershed in Malaysia's political and economic history. Umno delegates and the nation were given the first inkling of an era without longstanding party president and Prime Minister Datuk Seri Dr Mahathir Mohamad.

The assembly also unanimously approved a resolution tabled by Umno Youth to move towards an education system based on merit and with greater emphasis on English. Unfortunately, the resolution did not touch on the specific issue of using English to teach science and mathematics. It was a touchy issue following recent developments.

Nevertheless, the passing of a resolution on meritocracy is indeed a major turning point, especially when it is done at the annual delegates meeting of the country's dominant political party. A few years ago, the mere mention of 'meritocracy' would spark a fierce debate.

Times have changed. In tandem with the changing global economic landscape, the Malaysian economy is also ripe for major structural changes. Malaysia and others in the region are no longer the most favoured destinations for foreign direct investment (FDI). The bulk of it is going to East Asia, particularly China.

In the past, FDI was one of the major contributors to Malaysia achieving low unemployment, high growth rates and a vibrant domestic industry. But that source of growth will be severely curtailed.

Dr Mohd Haflah Piei, the deputy director of Malaysian Institute of Economic Research, points out that policies in place now are no longer relevant to the changing economic landscape. He says the sources of growth and future growth have already changed and therefore the players need to change as well.

'In the 80s and 90s, the manufacturing sector was the mainstay of the economy, but that will no longer apply in the future. The country is already gearing for the services, knowledge-based and ICT (information and communications technology) sectors. 'If you don't change, you'll get the leftovers while others will capitalise on the new sectors,' he cautions.

Dr Mahathir saw it. He took the bold decision to introduce meritocracy in the intake of students at public universities last year. Malaysian Business highlighted the changing mindset in its cover story last October.

Now we are going one step further in the field of education - abolishing the exclusive Bumiputera domain in matriculation courses and Mara Junior Science Colleges.

The services and ICT sectors thrive on the English language. English is the language of the Internet. For Datuk Jaafar Indot, the first local managing director of Shell (M) Bhd, English is also a language used to conduct international business.

Jaafar should know. He rose from the rank and file to become the top executive of a multinational company. 'I rose up the ladder in a multinational company through merit. The proficiency of language was important. Even the Dutchmen had to speak English in Shell,' he says.

But do not get it wrong. Mastering English alone is not the answer to putting the economy on a higher technology plane that will spur future economic growth. If that were the case, Malaysia would be better off than many countries as our literacy of the language is much better.

For instance, in Jamaica, English is widely spoken but the country's growth is dismal. In contrast, in Japan and South Korea, where the use of

English is not as widespread compared with Singapore or Malaysia, their growth rates are phenomenal.

Tan Teng Boo, the managing director of Capital Dynamics, an independent equities research firm that has for the past one year stressed on the need for a structural change in the economy and the people's mindset, attributes the growth of Korea and Japan to several factors.

Among them are the ability to work hard, and having the right attitude and the willingness to master science, technology and other forms of knowledge without any hang-ups. Other factors are the focus on long-term success instead of instant gratification, having the political will to implement sound long-term policies and not changing them mid-course, and the widespread practice of meritocracy and a performance-based system.

In his weekly newsletter, i-Capital, he says the Japanese and Koreans have an obsession with being productive, efficient and being on par with global standards. 'For Malaysians, if we do not learn to use English fluently and take advantage of the asset, what are the alternatives?' he asks.

'In recent years, we were worried where our sources of economic development would come from. We worry about the threat from China. We rightfully worry about the decline in FDI. Yet, right in front of our eyes, our competitive advantage has been totally ignored,' says Tan.

At the Umno assembly, one thing was conspicuous - a consciousness of the need to be competitive and for Malay businessmen not to take their privileges for granted. Judging by the debates, delegates were well tuned to the mood of the day.

For instance, there was no attack on Education Minister Tan Sri Musa Mohamed who recently was the subject of a vote of no confidence by a division in Johor for the changes made to the education system. The division came under such strong criticism that speakers avoided the topic.

Dr Mahathir, in his opening speech, also spoke on the need for a change in mindset of the Malays, particularly the businessmen.

'It has become a case where there is no honour in receiving incentives any more,' says Jaafar. 'Still, there are Malay businessmen, normally the smaller ones, who have made it without any political affiliation or help.'

Mohd Haflah says Bumiputera businessmen must change their attitude and mentality in the way they do business. He says repeated calls have been made as far back as in the 1980s, for Malay entrepreneurs to change their mindset and stand on their own feet.

'But not much has changed,' he laments. 'It is high time the government withdrew some of the assistance and subsidies accorded to Bumiputera businessmen.'

He says overdependence on the government has led to moral hazard among Malay entrepreneurs, to the point that they have become complacent, secure in the belief that they will be rescued whenever they are faced with difficulties. 'This way, the Malay businessmen cannot develop their full potential as they have become counter-productive,' he says.

To address the situation, Mohd Haflah suggests that assistance given to Malay entrepreneurs be trimmed down gradually on a test-case basis, followed by studies on its outcome. He also proposes that meritocracy be implemented among the Malays to ensure that they compete among themselves on a level playing field, without favouritism or the use of 'connections'.

'A successful businessman to come out from this system would definitely command the respect of not only the Malays but also the non-Malays,' he says.

The capacity to master English is only the first step forward in putting Malaysia on a higher technological and production platform. It is merely a conduit for Malaysia to produce a set of workers to exploit opportunities

in information technology and computer science. These sectors are the future sources of growth, whether we like it or not.

But mastering the computer language is the easy part. The harder part will be to compete without any crutches.