



PLANNING AHEAD: Dr Mahathir looking at the plans of the Putrajaya Convention Centre

A man ahead of his time

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We had expected the United Nations, at least, to serve as a forum for airing the views of the developing countries. But in fact their views there are totally ignored.

— At the regional development co-operation seminar, March 1995.

We are in no hurry. It has not done us any harm at all. We are receiving foreign investment as usual. The stock market is doing well. The economy is recovering so what is the hurry for us?

— On the lifting of capital controls, June 1999.

DURING HIS RECENT VISIT to the United Nations last month, his last as Prime Minister, Datuk Seri Dr Mahathir Mohamad was asked how he steered Malaysia out of the 1997/98 regional financial crisis, an event that almost knocked the wind out of the economy.

"First, don't listen to the IMF," he said to an eruption of laughter, as well as knowing nods that Dr Mahathir was not trying to draw cheap laughter. Indeed it was the truth; well, as far as Malaysia was concerned.

A few weeks earlier, International Monetary Fund managing director Horst Kohler had acknowledged publicly in Kuala Lumpur that Malaysia and Dr Mahathir were right after all in the handling of the crisis by implementing capital controls.

It is unfortunate that the recognition came five years to the month when the country employed the unconventional solution on Sept 1, 1998.

By dismissing the IMF prescription Malaysia was declared a heretic by the

Datuk Seri Dr Mahathir Mohamad steered the country through industrialisation and privatisation. The Multimedia Super Corridor was also his brainchild. He was unflinching in implementing capital controls during the 1997 financial crisis. The latest buzz is biotechnology.

ZAINUL ARIFIN traces the 23-year span of Dr Mahathir's plans.

Washington-based institution, and an international economic pariah by the global, and local, investment community.

The subtext of all the criticism to the casual observer was that those wet nose, brown skins would probably crash and burn and come hat in hand soon after to the IMF.

The chief culprit in all the criticism was Dr Mahathir, the proponent of the capital controls. He was the man who pushed his ideas ahead despite domestic bureaucratic and political oppositions, and international conventional wisdom.

As he takes his leave, most Malaysians

will have to admit that despite the earlier apprehensions, capital controls did provide Malaysia the proverbial safe harbour as the crisis raged around it.

For a while it was touch and go, the country could go bankrupt, the Government was said to be potentially on the verge of not being able to pay wages, the ringgit was heavily speculated and was worth more in Singapore than in Kuala Lumpur, businesses had ground to a halt and there was capital flight.

Capital controls allowed the country the opportunity to take a deep breath, take stock of things and begin the process of recovery, with the uncertainties of the predatory foreign exchange market removed.

Nevertheless, while five years late, it is fitting that Kohler's recognition would come a couple of months before Dr Mahathir would call it a day, serving as a bookend to what, at the end of the day, must surely be admitted even by his staunchest critics to be a more than passable handling of the economy.

There have been many converts since then, abroad and at home, that perhaps this general practitioner did know a thing or two about the economy.

To be sure, Dr Mahathir's contribution to the economy should not to be judged solely by the events surrounding the financial crisis, no matter how significant that may be.

In the 23 years helming the country he could also be credited with initiating what could be described as seismic changes to the nation's economic landscape.

When he took over, commodities were the fairly dominant features of the economy,



CITY OF LIGHTS: Fireworks display at the Petronas Twin Towers

with mainstays like rubber, palm oil, tin, and the fledgling petroleum industry.

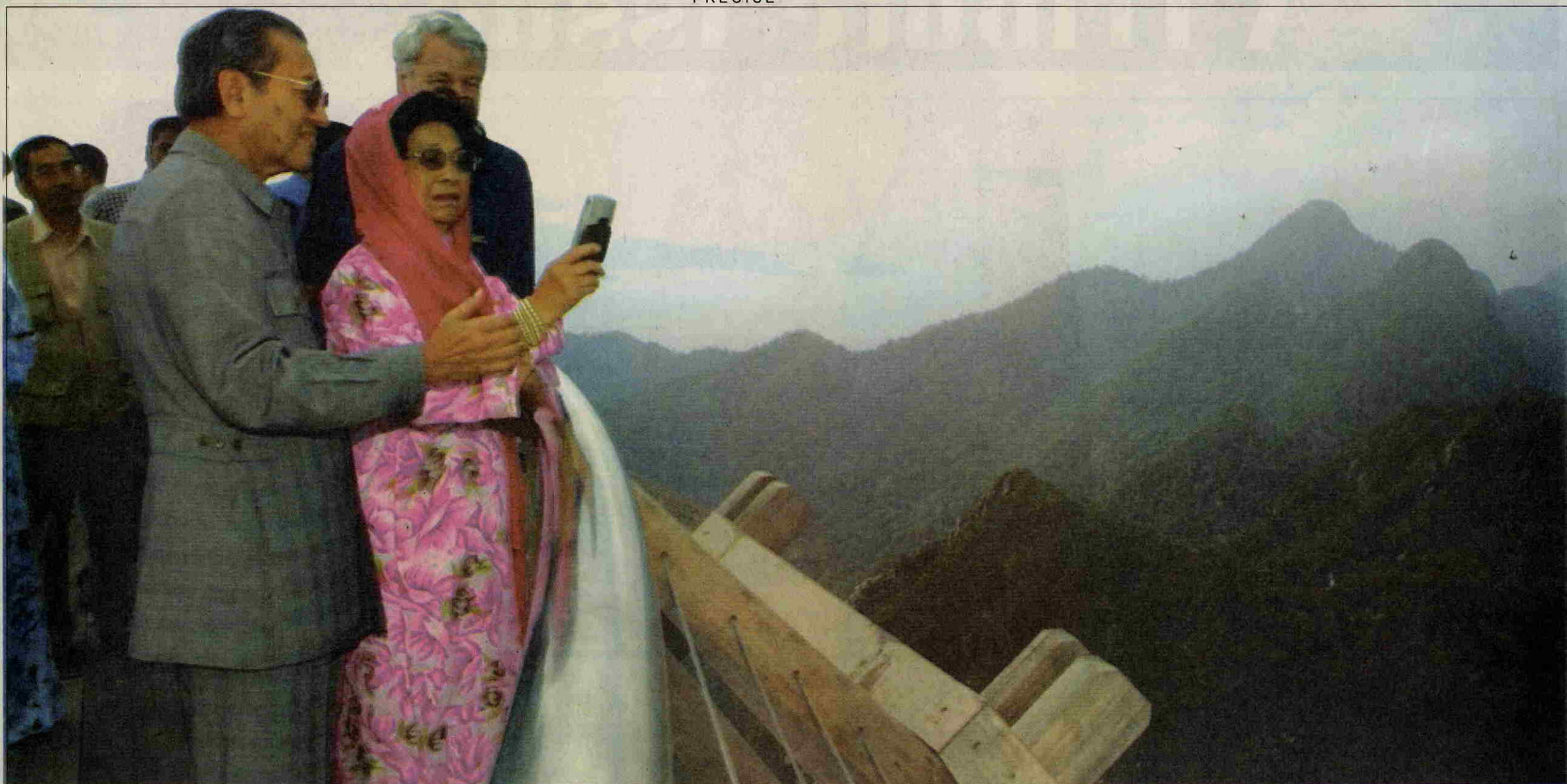
Investments in the free trade zones were largely assembly-related, as investors sought cheap overheads as well as easier access to mature markets through special preference arrangements for a developing country.

Commodities were not really helping in creating employment and value to a growing country. Malaysia was a leading producer, exporting much of them raw, and losing much of the potential of the commodities.

In the early 1980s there began a conscious decision to diversify the economy, to be less dependent on the commodities.

It was a decision later proven to be wise, with the collapse of commodity prices in the mid-1980s as well as the sudden appreciation of the yen that resulted in a





SCENIC: Datuk Seri Dr Siti Hasmah takes a photo from the peak of Gunung Machinchang, one of the stops of the Langkawi cable car project

Even if this is the last thing I have to do, I'll do it. I'm prepared to be an unpopular leader.

— On sterner measures to be taken against those who breached the highest ethics even after party elections, October 1996.

If Malaysians are united, we can develop rapidly and enrich the country. This will lead to an increase in wages and a higher standard of living for the workers.

— On Malaysia Incorporated concept, November 1996.

There were no incidents during the concerts. He (Michael Jackson) spoke of the importance of preserving the environment. That's okay. He's okay and our people are okay.

— On Malaysians' good behaviour at Michael Jackson's concert, November 1996.

Visionary policy-maker

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recession that lasted a few years — incidentally, it was then that the phenomenon of unemployed graduates first came to the fore.

The emphasis on manufacturing, which was manufacturing now constituting about 30 per cent of the economy of a larger economic base, from 18 per cent in 1991, while agriculture, in which some of the commodities were classified under, fell to eight per cent from 23 per cent 22 years ago.

The emphasis on manufacturing, as the building blocks for the industrialisation, was Dr Mahathir's idea. He opened up the economy further to boost foreign investments and to kick-start domestic endeavours. The Government set up the Heavy Industries Corporation of Malaysia or HICOM which, as the name suggested, was to be the vehicle for Malaysia to venture to where it had not gone before.

Through HICOM, the Prime Minister shocked and delighted Malaysians when he announced soon after that Malaysia would be manufacturing cars, something totally unexpected then as much as it is an accepted fact now.

Detractors severely criticised this as a delusion of grandeur, but as would be shown later, Dr Mahathir was always a step or two ahead of others.

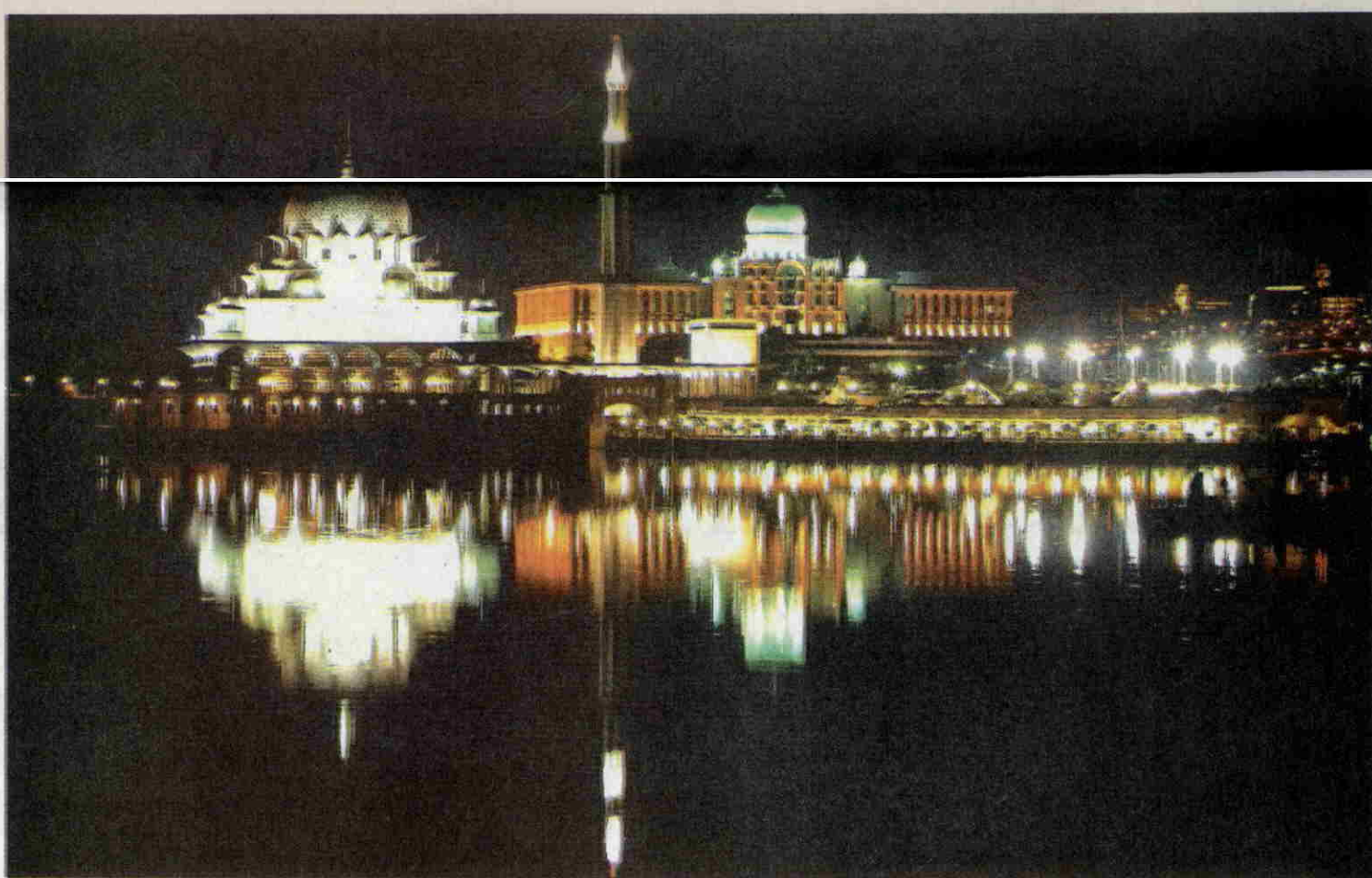
The car, Proton, was to be a catalyst for industrialisation, spawning hundreds of other industries able and capable of competing globally.

The car was also to be a catalyst for technological advancements. Twenty years on, the Proton concept is a qualified success.

The venture into heavy industries has a chequered record, with some successes like Proton, and some failures like Perwaja Steel.

The privatisation policy of the late 1980s was equally controversial. It was decided that the private sector would take over on the functions of several services that were once under the purview of the Government.

Apart from cutting Government



REFLECTIONS: Putrajaya lights up the night

expenses, it was argued that the private sector would generally provide better services. The multiplier effect of the privatisation policy would be the development of new business and employment opportunities, which if they were to be carried out by the Government could only lead to a burgeoning civil service.

The controversy surrounding the policy was not really driven by concerns that the Government was letting go too much of its responsibilities, but largely to the few selected to lead privatisation projects.

For example, there were lawsuits following the awarding to a company the

North South Expressway project, which now serves as a spine on the west coast of the peninsula.

But not much was later made of the fact that hundreds of companies also benefited from jobs relating to the construction of the almost 800km expressway.

The charges of favouritism dogged Dr Mahathir, especially in relation to the award of privatisation projects to Bumiputeras. But on balance, as in the highway project, the privatisation of the telecommunication and power sectors, for example, opened up opportunities to all, opportunities that would not have been there if the Government were to still be the provider of the services.

But most importantly, the privatisation policy led to, in almost all cases, a quantum leap in the technological expertise of Malaysian firms and personnel.

The adage of technology transfer remained true, especially when these firms in turn began exporting their skills abroad.

At the end of the day, several hundred services that were once provided by the Government were privatised — from postal to rail to airport to vehicle inspection, for example — and in almost all instances the country and the people were better served by them.

In ensuring the success of the private sector, Dr Mahathir, who is as much the consummate businessman as he is a politician, introduced yet a new concept, Malaysia Incorporated.

This is where Government machinery is made to be more aware of the demands of commerce. Regular private sector-government dialogues at the highest level allowed the Government to understand better and address the problems and needs

of the private sector, from bread-and-butter issues like certificate of fitness for occupation to labour needs to issues pertaining to contentious Government policies.

This was fairly revolutionary since there was a time when the civil service dispensed and the rest of the country waited. This closer co-operation, more like collaboration, became one of the biggest pluses in facilitating business, shredding red tape and bureaucratic idiosyncrasies.

On the other hand, the private sector also got to understand why certain things were demanded of it, as well as its roles and responsibilities.

Over the two decades Dr Mahathir had sought to constantly change and tweak the economy, to meet with the changing trends and times.

First it was industrialisation, then heavy industry, then privatisation, then high technology investments, then the promotion of information technology via the Multimedia Super Corridor, an ambitious green field project that left many wondering why they did not think of it first.

His vision of the ICT, or the Knowledge-based or K-economy, was also driven by the understanding that the world's commerce was going to be driven by information and telecommunication and those who understood the importance of the two.

The MSC is a realisation of that and the Government put into place a structured framework from infrastructure to legislation to human resource development so that the sector thrives.

Lately, the Government has decided to

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PROUD HOST: Dr Mahathir (fifth from right) poses with delegates of the Langkawi International Dialogue in front of the Prime Minister's Department complex at Putrajaya

I knew all about it, but I did not have to tell the Press. It is not because of secrecy. When we negotiate, we cannot reveal to the public.

— On the Government buying the Lotus company, November 1996.

We just cannot accept and certainly cannot submit to such unilateral measures of coercion. We should take a firm position in containing these measures which arrogantly disregard the accepted norms and principles of international trade and investment relations.

— On curbs on free trade imposed against developing countries, November 1996.

Driven by his convictions

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place emphasis on what is generally expected to be the next big thing, biotechnology, and policies have been put in place to support it.

As much as he is a politician, Dr Mahathir also has a keen eye on trend spotting, being ahead of the curve often.

As with the strategic shift from being overly dependent on commodities in the 1980s, the economy is now being primed to be less reliant on manufacturing, which has been the engine of growth for over a decade.

The services sector is touted for expansion, and as Finance Minister, Dr Mahathir introduced incentives and policies that would help boost the sector.

The development of the infrastructure — roads, rail, port, telecommunication, power — which began earnestly from the late 1980s is all part of an economic agenda far greater than making sure that the country's facilities are kept up to date.

They are investments for the future to keep the country competitive, as well as to open up new commercial opportunities — notice the new townships flanking highways, new industrial parks along gas routes, new services opportunities with liberalised telecommunication sector, for example.

It seems that infrastructure work has never eased during Dr Mahathir's era.

He is a proponent of building capacities ahead of needs so that the country would not be caught shorthanded. Infrastructure work has also helped in pump priming the economy in the past few years when global economic uncertainties made private investors fickle.

Perhaps his greatest contribution to the economy is to make Malaysians believe there is no limit to what they can do.

Malaysia Boleh may be greeted with much sarcasm by some segments of society, to be parodied and fashionably sneered at as the country cousin of Vision 2020. But at the very least, subconsciously, even for those who do not buy into sloganeering, Dr Mahathir lets on that anything is possible — there is nothing that the country or its people cannot do if they put their mind and effort to it.

From building cars to world-beating superstructures to microsatellites to the improbability of hosting glamorous Formula 1 races. Unthinkable and unheard of before, Dr Mahathir pushed for their possibilities.

Everyone walks with an extra spring in his step knowing very well that nothing is impossible, especially with the country stable and in good hands.



A CLOSER LOOK: One of the exhibits at the 'A Thousand Faces of Dr Mahathir: A Tribute To A Statesman' photo exhibition at the National Art Gallery

The economy too, with businesses getting their doses of self-confidence, benefits.

As in all great plans there must be a buying in by the constituents. If they buy into an idea then it will work, if not even the best-laid plans would come to naught.

Indeed, underlying all the achievements is perhaps Dr Mahathir's gift as a natural salesman, his ability to convince and convert.

Also his conviction is never suspect, from capital controls to ICT.

Driven by his conviction, he prodded, pushed and at times insisted on his ideas, which often times had proved to be fruitful.

Looking back, one would see scant reminder of the past now. Much of what we have today came into the picture in the last two decades.

Over the past 22 years, the Gross Domestic Product rose to RM219.31 billion from RM28.04 billion. The population, which has grown to close to 25 million from 13.79 million, has also seen a rise in income per capita to RM14,343 by the end of this year from RM4,022 in 1981.

His critics often argued that Dr Mahathir has pushed the country and the economy so far-ahead that the social fabric is straining at the seams, and the nation's capacity to take in these rapid changes is being tested to the limit often.

Ironically, none of the critics, if given a choice, would want to live in a place where

getting through the day is a cause of celebration.

The economic changes that have taken place are not just a consequence of time and natural progression, they are the result of strategic thinking and determined leadership.

Just take a look at the countries around us for comparison.

On balance, however, it must be noted that not all of his plans have worked. While the ideas may be great and earnest, the execution and, at times, extraneous circumstances resulted in some failures. Nevertheless, history would be a good judge of his plans.

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