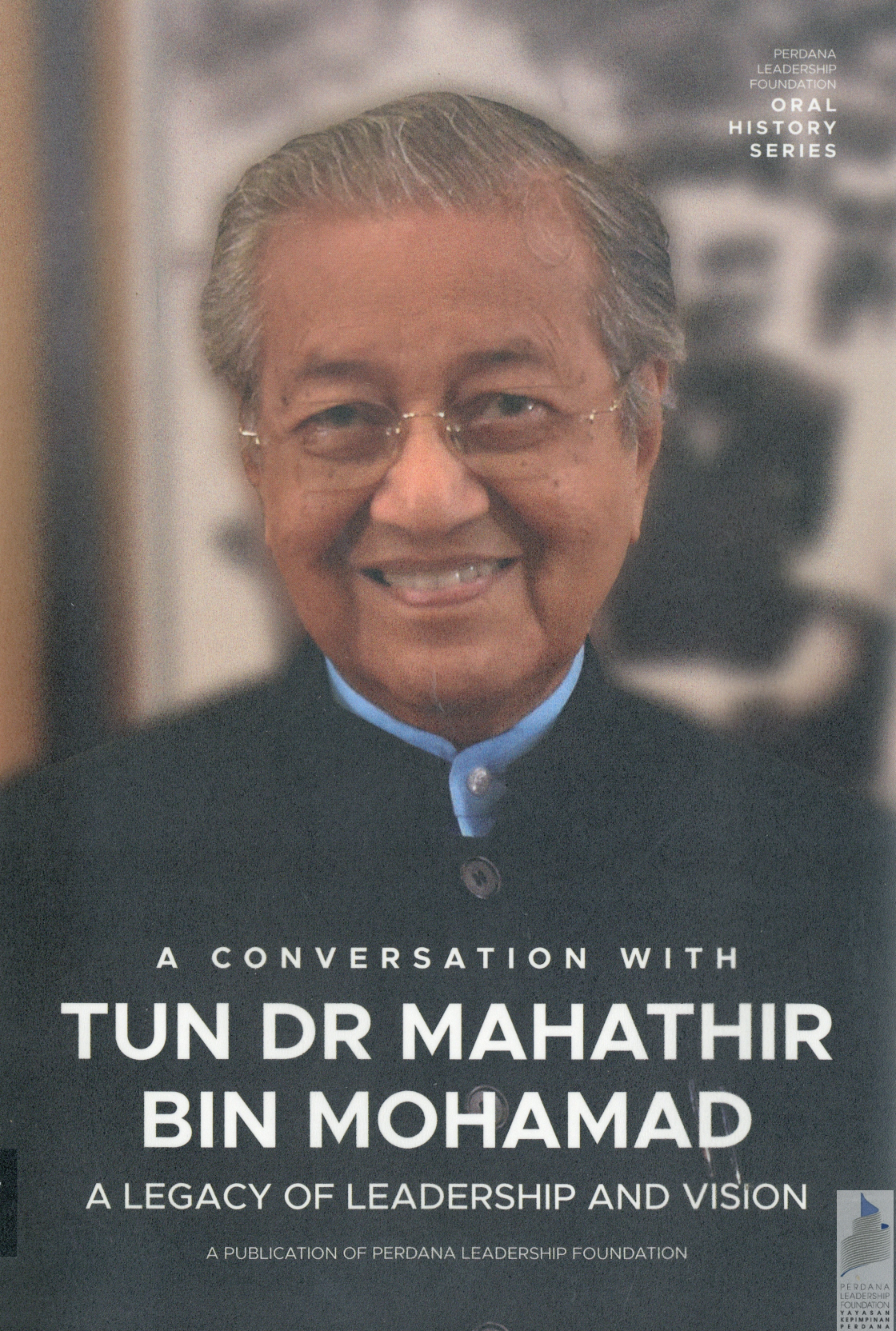


PERDANA
LEADERSHIP
FOUNDATION
**ORAL
HISTORY
SERIES**

A close-up portrait of Tun Dr Mahathir bin Mohamad, an elderly man with grey hair, wearing glasses and a dark blue traditional Malay jacket (kacukan) over a light blue collared shirt. He is smiling slightly and looking directly at the camera. The background is blurred, showing what appears to be a bookshelf.

A CONVERSATION WITH
**TUN DR MAHATHIR
BIN MOHAMAD**

A LEGACY OF LEADERSHIP AND VISION

A PUBLICATION OF PERDANA LEADERSHIP FOUNDATION



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PUSTAKA PERDANA



1013821

YAYASAN
KEPIMPINAN
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A PUBLICATION OF PERDANA LEADERSHIP FOUNDATION

Published by:

PERDANA LEADERSHIP FOUNDATION

Yayasan Kepimpinan Perdana

Co. No. 200301002222 (604642-U)

No. 1, Jalan P8H, Precinct 8
62250 Putrajaya, Wilayah Persekutuan
Malaysia

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Design by:

Chin YS | 017 226 5671

Printed by:

Precision Offset Solutions
Unit 2E, Level 2, Block B
Global Business & Convention Centre
No. 8, Jalan 19/1, Section 1
46300 Petaling Jaya, Selangor
Email : ivantks@p-offset.com
Tel : 012 366 2773



Cataloguing-in-Publication Data

Perpustakaan Negara Malaysia

A catalogue record for this book is available
from the National Library of Malaysia

ISBN 978-967-0821-45-0 (hardback)

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FOREWORD



TAN SRI AZMAN HASHIM

Chairman, Board of Trustees
Perdana Leadership Foundation

Just as an accomplished cameraman pans out and zooms in to his subject for greater effect and clarity, a keen historian employs both a macro as well as micro lens to history for deeper understanding. The sweep of history may be grand and its arc may span decades, but the view from the individual who was in the thick of it may be far different. Often, it's more nuanced and complex.

The Oral History series by the Perdana Leadership Foundation is akin to the close ups and zooms of the camera – focusing on specific individuals and their experience, their personal perspectives and views. It is our hope that these Oral History sessions will enrich the nation's documented history, and unveil new facets of our past and present.

In this episode of our Oral History series, we had the privilege of conversing with Malaysia's fourth and seventh Prime Minister who is also the Honorary President of Perdana Leadership Foundation, Tun Dr Mahathir bin Mohamad. Under his leadership, Malaysia gained international recognition as an industrial powerhouse. He opened the country to foreign trade, reduced international trade barriers, privatised government services, and developed world-class infrastructure, including the Kuala Lumpur City Centre (KLCC), PETRONAS Twin Towers, Kuala Lumpur International Airport (KLIA), and the Multimedia Super Corridor (MSC). In these conversations, Tun shares some of the challenges faced in developing Malaysia's economy and catapulting Malaysia into the industrial age. It is not all economic talk, as he also delves into social and political issues

with his customary frankness. We are indebted to Tun Dr Mahathir bin Mohamad for his sharing his insights on the turning points of Malaysia's development journey, made all the more valuable by Tun's vantage point as Prime Minister.

Credit also to the interviewers, Dato' Seri Dr Vaseehar Hassan and Mr Eddin Khoo, for adding context and prompting additional insights from Tun Dr Mahathir bin Mohamad. I also thank PLF's Oral History team for their contribution to making this series a reality.

The Board of Trustees of Perdana Leadership Foundation fully supports this endeavour to document the personal histories of key Malaysians for the benefit of future generations.

FOREWORD



**TAN SRI NIK MOHAMED
NIK YAACOB**

Adviser
Perdana Leadership Foundation

Tun Dr Mahathir bin Mohamad is acknowledged as the longest-serving Prime Minister in both Malaysia and Southeast Asia. He is also Malaysia's only leader to have been elected twice to the premiership, after leading the opposition coalition to an unprecedented victory in the nation's 2018 general election. It goes without saying that Tun Dr Mahathir has a wealth of experience as the nation's leader, especially as he was instrumental in transforming Malaysia into one of Southeast Asia's most prosperous and dynamic economies, with a vibrant business sector and a growing middle class. Additionally, under his watch, Malaysia assumed a more prominent role in global affairs, advocating for the interests of developing nations across Asia and Africa.

I am grateful to Tun Dr Mahathir bin Mohamad for participating in this series of Oral History conversations and taking the time to explain his views and motivations for key policies. I also thank Dato' Seri Dr Vaseehar Hassan and Mr Eddin Khoo for conducting the interviews for this episode of the series.

In this publication, Tun Dr Mahathir outlines his economic strategies, views on corruption, and insights on the '*Bangsa Malaysia*' concept, alongside his perspectives on regional and global issues. He also shares thoughts on leadership, with some advice to Malaysians. Enriched with anecdotes, this book serves as a valuable resource for researchers and the general public seeking to gain a deeper understanding of Tun Dr Mahathir bin Mohamad's views on economic development, politics, and the future of Malaysia.

INTRODUCTION



PERDANA
LEADERSHIP
FOUNDATION
YAYASAN
KEPIMPINAN
PERDANA

PERDANA LEADERSHIP FOUNDATION EMBARKED ON THE Oral History series in 2006 with the mission to record, preserve, and share the personal accounts and recollections of history by those who played key roles in it. Our series started with the longest-serving Prime Minister of Malaysia and our Honorary President, Tun Dr Mahathir bin Mohamad, and continued with his wife, who is also one of the nation's earliest Malay women doctors, Tun Dr Siti Hasmah binti Hj Mohd Ali.

To date, we have had conversations with the former Chief Secretaries to the Government, the late Tan Sri Saleha Ali, Tan Sri Nor Mohamed Yakcop, Tan Sri Leo Moggie, Tan Sri Rafidah Aziz, and our own Chairman, Tan Sri Azman Hashim. Each of these weaved together personal histories with accounts of Malaysia's past, and views of the present and future.

The conversations are transcribed, and, with the subjects' permission, published. They serve as useful references for all Malaysians.

This publication is based on a series of conversations between Tun Dr Mahathir bin Mohamad, and interviewers Dato' Seri Dr Vaseehar Hassan and Mr Eddin Khoo, from 2020 to 2023, with particular emphasis on economic development and national visions. There is a lot to be gleaned from the conversations, especially given Tun's wealth of experience, and it is hoped that the book will illuminate the policy decisions of the past as well as the pathway to the future.

PUAN ZARINA ABU BAKAR

Chief Executive Officer
Perdana Leadership Foundation

PROFILE

TUN DR MAHATHIR BIN MOHAMAD

Former Prime Minister of Malaysia
& Honorary President of Perdana Leadership Foundation



A medical doctor by training, Tun Dr Mahathir bin Mohamad was born in 1925 in Alor Setar, Kedah, Malaysia. After the country's independence in 1957, he became active in politics, serving in various Ministries before being appointed Deputy Prime Minister in 1976. Five years later, Tun Dr Mahathir bin Mohamad became Malaysia's fourth Prime Minister after Prime Minister Tun Hussein Onn stepped down.

Tun Dr Mahathir served for 22 years as Malaysia's and South-East Asia's longest-serving Prime Minister. It was under his leadership that Malaysia became internationally renowned as an industrial powerhouse. Tun Dr Mahathir opened the country to foreign trade, reduced international trade barriers, privatised government services, and created world-class physical infrastructure such as the Kuala Lumpur City Centre (KLCC), PETRONAS Twin Towers, Kuala Lumpur International Airport (KLIA), and the Multimedia Super Corridor (MSC).

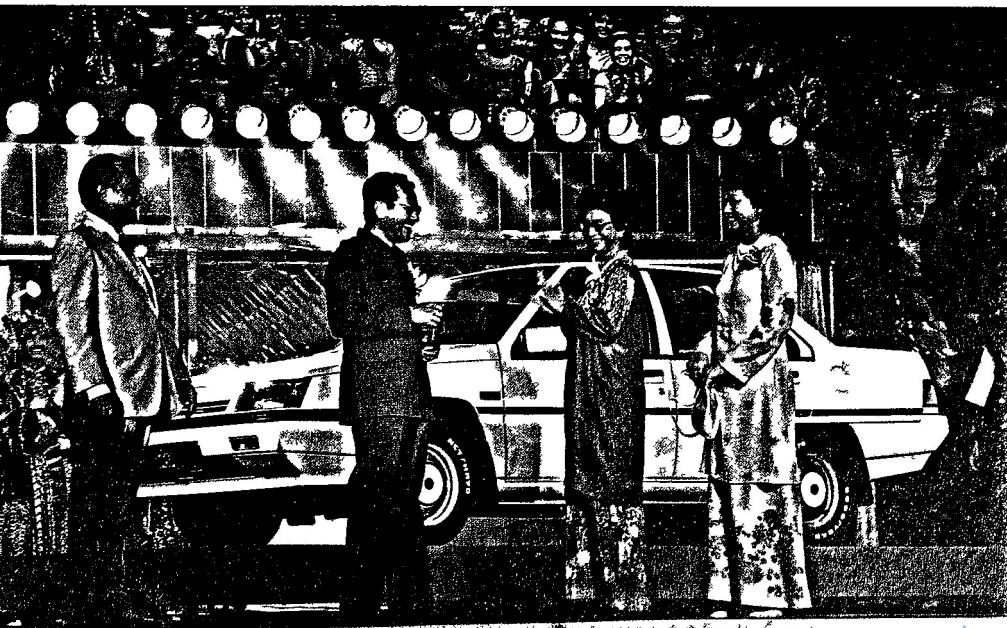
Under Tun Dr Mahathir bin Mohamad's leadership, Malaysia became one of the most prosperous and dynamic economies in Southeast Asia, with a thriving business sector and growing middle class. Malaysia also played a more active part in world affairs, serving as the voice of developing nations in Asia and Africa.

Tun Dr Mahathir stepped down as Prime Minister in 2003 but re-entered politics in 2016 when he established a political party to challenge the governing coalition. In 2018, at the age of 93, he was elected as Malaysia's seventh Prime Minister after leading the opposition coalition to victory in Malaysia's historic 14th General Elections. He stepped down as Prime Minister in 2020 but continued to be active in politics. Tun Dr Mahathir bin Mohamad writes regularly on Malaysian issues for his various platforms. In 2022, after the 15th General Elections, he announced he would be focusing on writing his thoughts on Malaysian history and key events.



Tun Dr Mahathir bin Mohamad and Tun Dr Siti Hasmah binti Mohd Ali enjoying the view during their visit to the Kuala Lumpur Tower on 14 August 1996.

Source: BERNAMA



Tun Dr Mahathir bin Mohamad at the launch of the Proton Saga on 1 September 1985.

Source: BERNAMA

ECONOMIC PLANS & PRIORITIES

Dato' Seri Dr Vaseehar Hassan (DDV)

Good morning, Tun Dr Mahathir bin Mohamad. It is a pleasure to meet you again for Perdana Leadership Foundation's Oral History series with Malaysian leaders, with yourself as the longest-serving Prime Minister and one of the longest serving leaders in this country. We are very honoured. If you reflect on 1981 when you became the Prime Minister, what were the most pressing economic issues in your mind at that time? How did you implement those priorities?

Tun Dr Mahathir bin Mohamad (TDM)

Well, when I took over in 1981 the economy was not doing well at all. We had to sit down and think about how to overcome the downward trends, and we succeeded because we introduced new ideas. We wanted to change people's mindsets. We wanted them to understand that they are capable and that they were not making use of their capabilities.

To help develop their capabilities and confidence, we introduced new policies like the Look East Policy. We wanted to copy the Japanese. At that time, the Japanese were doing very well compared to the Koreans and the Chinese. We also introduced Islamic values (in administration) because we thought Islamic values are very good for the development and character of the people. With that, we found that foreign investments grew very fast because investors saw Malaysia as a stable country with good policies. So, although the economy was not doing well in 1981, we recovered very quickly.

Eddin Khoo (EK)

Have any of the problems that were present in 1981 recurred?

 **TDM**

Yes, they have, partly because of foreign action. You see, we have no control over what foreigners do but we do have control locally. For example, the financial crisis in 1997 did not happen because of us. We were managing the country quite well but when they devalued our currency, we became poor. That caused a lot of hardship for the people, who were once able to afford so much before but now, because of the financial crisis, could only buy half with the same amount of money. That is the meaning of devaluation. We also had to pay more for our imports. That is why we needed to find a solution for that. We took almost a year to discover a formula that would help us to overcome the economic depression.

But even before the financial crisis, there were cases where politics within parties had disrupted the country's development. There was too much happening on the political side that the main focus was not on economic development. To lift ourselves out of this situation, we spent huge sums of money on training. When Malaysia first became independent, we gave many scholarships to people. Sometimes, people complained that we were giving scholarships even to students who were not well qualified. But we saw it differently, that they had potential, and we were proven right. It was not only the top students who could further their studies, they all had the capacity to do so, even those who did not score well in examinations. If they were given the chance, they could do well. As a result, the average education level in Malaysia greatly improved. At that time, we only had limited university graduates in the country. But during my premiership, we sent thousands of people to study and they came back fully qualified. So, the general picture of the economy was steady growth because of the peoples' newfound education and ability to tackle new problems.

EK

If we could go back to the time of Independence in 1957, I would like to trace the path of your economic policies when our economy was very much dependent on the export of our natural resources. Since then, we have built an industrial and manufacturing base, and so on. We've got a solid middle class although sometimes they are struggling. Could you reflect a little on the economic development policies implemented by your predecessors, from Tunku Abdul Rahman Putra Al-Haj up to Tun Hussein Onn? What are your thoughts on the paths they took?

 TDM

There were not many changes upon Independence. We still depended on rubber and tin. At that time, palm oil was just being introduced. So, we depended on that but that was not going to enrich the country past a certain point.

At the same time, there was a lot of unemployment, and people were land-hungry so we started the Federal Land Development Authority (FELDA) scheme where we gave the pioneers ten acres of land but, very quickly, we had no more land to give to people. As a result, it was decided that we should try to industrialise but we did not know how to do so because we didn't have the expertise, the capital management, or any knowledge of the market. How could we produce things for the market when we were so short of capital and technological knowledge? For a long time, the idea of industrialisation did not bring many changes. It was very minimal. The previous governments concentrated on import substitution to produce things that we imported for the local market. That didn't help to stimulate the industries.

Later on, when I became Prime Minister, we decided that the only way to do things was to invite people to invest in Malaysia, through Foreign Direct Investment (FDI). Actually, the idea of foreign direct investment was

done before my tenure but it was not really promoted and we did not offer many incentives. We needed to change this. We started by giving more incentives, and we found that a lot of people wanted to invest in Malaysia because the cost was cheaper than in our neighbouring countries. Malaysia began to export more manufactured goods at that time. Then, we found that our infrastructure was inadequate. So, we invested a lot of money into developing our infrastructure, building roads, railways, power supply, water supply, and all that. Together with the incentives and the tendency of Malaysian workers to work well, Malaysia became an attractive place for foreign direct investment because, at that time, most independent countries were reluctant to allow foreigners to come into their country. We went the other way and invited them to come to our country. Because of that, Malaysia grew quite well. Very soon, Malaysians began to acquire the skill, knowledge, and capital to go into industry themselves. That was how Malaysia became industrialised.

EK

At the time of Independence, many post-colonial societies chose the path of socialism and centrally-planned economies. Why did we never implement that system and were you ever personally attracted to any of those ideas?

 TDM

No. The idea of socialism and equality are very attractive but they are not practical. I used to tell people that, if all of us earn the same amount of money, we will become poor even if we are millionaires. For example, if you are a millionaire in a country where everybody must be paid the same amount, you have to pay a million ringgit to employ a driver and this is not feasible; you will become poor. There must be gradation in terms of income so there will be poor people and rich people, but it must be relative. The poor must not be absolutely poor. We have to reduce the disparity between rich and poor. The five-year plan is a modification of

socialist ideas, a useful way to know where we are going and what we have to do in order to achieve our target. In this way, the five-year plan has been a part of the Malaysian management of the economy for a long time. Apart from that, we are oriented towards capitalism but a milder form of capitalism. There is no exploitation of workers and all that. We look after the interests of the workers and we have some safety net for them to ensure that, when they retire, they have something for themselves.

DDV

Touching on what Eddin asked; when you said that disparity should be relative, in the current state of affairs, do you think we have achieved that or is the disparity getting worse?

 **TDM**

Our country is multi-racial and each race has its own culture, ways, and value system. We find that growth among different communities does not happen at the same rate. Some communities do much better than others. As a result, although growth takes place, everybody grows at different rates. Over time, the disparity becomes bigger and today it has become even bigger than when we started.

EK

Tun, since 1957, we had the five-year plans repeated successively and they were enveloped by other plans such as the Industrial Master Plan, the Outline Perspective Plan, and others. In your view, how effective have these plans been, especially in terms of allocating resources as well as developing new sectors of growth?

 **TDM**

It is difficult to make a comparison. What would happen if there had been no plan? We can't make a comparison with something that never happened, but we can compare ourselves with other countries. We find that other developing countries which do not plan their development are unable to focus on what they want to do. They do all kinds of things and it is not done properly because they don't even know their main objective.

When we have a plan, we know where we are going, where we come from, and so on. This enables us to be more focused. For example, we realised that to develop this country, we needed good infrastructure. We decided that road-building is important. We built the road from the north to the south, 800 kilometres long. It was a big project for a developing country like Malaysia. But it was a worthwhile effort because today, you can see development all along the road. People began to live outside the city because they could come to the city more easily. And then, industrial parks, settlements, and things like that came up and the outskirts of the city also started to develop. Eventually, it fused with the city and the city became bigger.

This one act of building roads stimulated investment and changed the way of life for the people. Apart from roads, we also built railway lines, with double-tracking and electrification. And then, we expanded our water supply and electricity. All these infrastructures contribute towards the growth of the country. People will come and invest here because the amenities are the same as in their own countries.

EK

Today, we live in an era where many things are dominated by cyberspace; we have also entered the fourth industrial revolution where changes are rapid. How relevant and useful are plans like the five-year plan?

 TDM

They're still very useful. It depends on what you see in this. For me, this knowledge-based development is a new power. It's like electrical power and mechanical power. It's up to you to think about how to make use of it. People who can think how to make use of it have done very well, such as Bill Gates. He saw that by being able to communicate quickly, you can do a lot of things which you couldn't do before. It's the benefit of speed.

And then there is the simplicity of binary language compared to the alphabet. We use 26 letters in the Roman alphabet; in the Jawi alphabet, there are over 30, and in the Chinese alphabet, there are thousands. When the binary system was created, it was just 0 and 1. With binary numbers, you can do things with more precision. With words, you have to spell it out. Even the colour grey has many shades. But grey in the binary system is precise for each different level of greyness. Some are dark, some are light, and others almost white but every little bit has got its number. Everything is more precise with the binary system and that is why we can have high-resolution televisions with perfect images.

EK

Perhaps now we can take a leap to your second period in government. When you became Prime Minister for the second time in 2018, what were the economic exigencies?

 TDM

We were very concerned about corruption. If we could tackle that problem, the economy would recover. The economy was depreciating because of the cost of doing business in Malaysia and the inefficiency of the government at that time. The focus was not on developing the country. It was just 'how much money do I get'? So that was our first job - to try and remove those politicians, as well as administrators, who are corrupt.

EK

How did you think you fared overall?

 **TDM**

I think we did quite well. It's not acknowledged but usually, there are problems when a new government takes over. There will be street demonstrations, riots, and all that but we took over the government very smoothly. We formed a government of five different parties. We formed a functioning cabinet that was accepted by all. That is remarkable because, normally, there is a lot of disruption when you have a change of government and then the idea of working together with different parties can be challenging. Ours was not a coalition with a dominant partner. This was a coalition among equals. We had to work together because, in the cabinet, we had to agree by consensus. We had to move forward. We even had cabinet meetings during holidays because we had to tackle so many problems but we were able to do that and the economy was recovering.

Generally, I think the administration was much better. People were more able to interact with the government. They didn't have this fear of the government. In fact, people were beginning to trust the government.

At the same time, we were doing well and the economy was starting to recover. Then some people accused us of being a non-Malay government. Though the majority of Pakatan Harapan members were non-Malays, there were many Malays in the Cabinet, and they numbered more than the other races. We had no fear that the others would do things against the interests of the Malays. But people did not appreciate that the government was stable and how remarkable it was, that we were able to change the government and remain stable.

EK

Some analysts have said that the Pakatan Harapan government was a government of austerity that introduced too much of an economic shock therapy. Did you have no other choice? What are your views on that?

 TDM

It's difficult to decide to what level we should assert our principles. For example, the fishermen were given a salary of RM300 a month under Dato' Sri Najib Razak's administration. Even if they didn't fish, they still received RM300. We could not sustain that so we had to reduce the amount.

In another example, he was giving RM500 a year to people who didn't need that support, under BR1M. What were we to do? We had to reduce that too.

There are many other things we had to do to clean up the government – we had to remove the corrupt politicians who were running the government institutions and companies, and of course, they got very sore about it. We were doing all that but to what extent we needed to clean up, it is difficult to say.

To us, we were just doing the right thing. But some people were badly affected. I mean, they were stealing money and getting free money from the government but we put a stop to all that. Of course, these changes would be extreme for them because they had gone beyond their limits. They wanted things to change but not at their expense.

DDV

If we look at the government debt to GDP graph after you left office in 2003, the borrowing spiked during Tun Abdullah's time and it continued during Dato' Sri Najib's time as well. With the Covid-19 pandemic, our manoeuvrability of finances seems to be very difficult and tight because of our over-borrowing. What are your thoughts on this? How would you describe the budget and how do you think we should stabilise the economy?

 TDM

My views on money stem from my personal practice. I'm very careful about my own money. I don't have any loans at all and I don't buy or own any shares, except for shares in Malayan Tobacco which I had bought before I became minister. I find that what I earn is enough for me, and I live within my means. In fact, I was still able to save money.

I look at government spending in the same way – I want to save money; I want to spend money only when necessary. Even if we have a good project or good infrastructure to build, should we build it? That is the question that I always ask. If we don't have the money but we need to have the infrastructure, how do we do it? Previously, we spoke about privatisation and charging tolls for people to use the highway. That was one of the solutions we came up with when we didn't have the money. In this way, the government didn't have to spend too much money because we were very careful about how money was managed. We spent only within our means. But when I stepped down, this idea didn't seem to be accepted by my successors. With them, if they needed the money, they would borrow it. They don't care how the money is going to be repaid and that there is a borrowing limit for the government.

During my time, I think the borrowing limit was 53% of GDP. As GDP grows, you can continue to borrow but the government went on a borrowing spree. They borrowed up to 80% of GDP! That means that the government may not be able to repay the loan unless they take 40 to 50 years. When they do this, the burden of repayment will be borne by the rakyat in the future but they don't seem to care. They just borrow. And this is compounded when there is depreciation in the value of our money, which means we have to spend even more money to repay the loan.

And then they went one step further. When the government could no longer borrow because it had reached its limit, they formed a company. As this company is not limited by government rules, the company can borrow all the money they need. This is how they borrowed RM42 billion through 1Malaysia Development Bhd (1MDB). Previously, we had never even borrowed RM1 billion let alone RM42 billion!

During my time, the country was able to grow because we managed the finances. If we can't do it one way then we will do it in some other way, when the government has enough money or by borrowing money if we don't. As I said earlier, I avoid borrowing because, personally, I don't like to be in debt. So, when it comes to running the government, I have the same fear, that I would be burdened by debt. I don't like the feeling.

A CONVERSATION WITH
**TUN DR MAHATHIR
BIN MOHAMAD**
A LEGACY OF LEADERSHIP AND VISION

This publication offers an exploration of the vision, strategies, and policies that guided Malaysia's transformation into one of Southeast Asia's most dynamic economies. Through a series of candid conversations with Tun Dr Mahathir bin Mohamad, Malaysia's longest-serving and twice-elected Prime Minister who steered the nation through its modernisation and transformation in the 1980s and 1990s, readers will gain deeper insights into Malaysia's development journey as well as its challenges, past and current.

Tun Dr Mahathir also shares his insights on other crucial topics, including corruption, ethnic relations, leadership, as well as regional and global issues.

This book provides a deep understanding of the thoughts, leadership, and legacy of Tun Dr Mahathir bin Mohamad.

ISBN 978-967-0821-45-0



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