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On the Shoulders of Giants:
Setting a Course for Malaysia's Future Competitiveness

Address by YAB Dato' Sri Mohd Najib Tun Razak
Deputy Prime Minister of Malaysia

Cambridge Malaysia Foundation Annual Dinner
Kuala Lumpur Golf & Country Club
27 April 2005 (Wednesday)
8.30 p.m.

Distinguished Guests
Ladies and Gentlemen

1. I am deeply gratified to be here this evening, to share my thoughts with a collection of outstanding men and women.
2. The mere mention of Cambridge evokes images of ivory towers and dreamy spires: an enduring, living testimony to the power of knowledge, mankind's intellectual tradition and age-old wisdom. The University remains a bastion of world-class education and a continuing celebration of British excellence. I might add that others have emulated you and today, Cambridge finds itself in the good company of other distinguished, latter day establishments. For some reason, Nottingham immediately comes to mind.
3. In Malaysia, Cambridge is a living legend. The University has been the formative experience for a succession of Malaysian luminaries, including our first Prime Minister Tunku Abdul Rahman. Cambridge has long been a part of Malaysia's history, and I am honoured to have been invited to address you this evening.
4. This audience needs no reminding that one of the most cherished traditions of Cambridge is the Boat Race. In 1829, Cambridge challenged their rivals in "the other place" to a contest on the River Thames. Today, all of 176 years later, the Boat Race is regarded as "the world's longest surviving sporting challenge".
5. The race is a vivid expression of the competitive spirit that flows through the veins of the Oxbridge tradition. Every year, young men and women from Oxford and Cambridge have submitted themselves to a grueling physical test. There is a readiness to push the limits of one's ability and endure great physical pain. There is an eagerness to compete and to prevail against the competition.
6. It is this same fighting spirit that Malaysia must acquire. We must be prepared to submit ourselves to the test of competition. My theme tonight is about competing successfully as a nation – not your normal habitual competition but the heightened challenge of a globalised world for a small country like ours, taken out of its

traditional comfort zone, and plunged irrevocably into a new and daunting global arena.

7. Globalisation has thrown open the floodgates of competition. Already, both China and India are attracting enormous sums of foreign direct investment, away from smaller countries like ours. Growth in both of these giants is expected to continue at breakneck pace compared to the rest of the developing world.

8. Malaysia must ask itself: are we truly prepared for the challenges of competing on the global arena? To take the Boat Race metaphor further, do we have it within us to ensure that our oarsmen row together in unison, keep our course steady even as other competitors surge towards their own finishing line?

9. I firmly believe the way forward for us is to find the most appropriate niches where our natural advantages and core competencies give us a head start and the chance to become global leaders. The formula I would like to advance for building national competitiveness has 3 components: focus, pace and capability.

10. We need to focus: by selecting specific niches in which we have a chance of becoming global leaders. We need to accelerate our pace: by increasing the sense of urgency to deliver against our common vision. Finally, we need to urgently strengthen our capability: to compete successfully for the long haul. I believe that if we successfully apply all three elements of building our national competitiveness, we can truly become one of the great success stories in this Asian century.

Focusing on the Priorities

Ladies and Gentlemen

11. Focus is the ability to concentrate our efforts, like a laser beam, on the specific niches in which we can truly become global champions. It is having the discipline to make difficult but necessary choices between competing priorities. This means deciding what we will NOT do – as much as what we should choose to do. With finite financial resources and our critical leadership resources being limited, focus is demanded to achieve clarity of purpose. Our Prime Minister Datuk Seri Abdullah Ahmad Badawi began his administration with just such an exercise in reviewing major projects that were difficult to justify given available resources. We will continue to make difficult but necessary choices as we plan ahead.

12. So far, Malaysia has been fortunate. Our previous leaders showed vision and foresight in the strategic choices they made that now have created a Malaysian imprint on the global scene. Our decision to invest in palm oil in the 1960s has reaped tremendous rewards: we are now the world's leading palm oil producer. Our investments into electronics manufacturing have also yielded handsome dividends: the industry now accounts for around 60% of Malaysia's manufacturing exports. Electronics is now the leading industrial sector in terms of investment, industrial output and employment.

13. Even where we are most entrenched and where in the past we have been dominant, we now face new challengers. Indonesia is expected to overtake Malaysia

as the largest producer of palm oil by the year 2015. Together the two countries contribute 90% of world palm oil output. If we work together to develop this mutual niche there is no reason why we cannot divide and conquer the wider edible oils market. In electronics we are seeing the rise of China as a major manufacturer of electrical and electronic goods. In biotechnology Singapore has proactively created a sprawling new Biopolis and is showing the way in recruiting prominent biotechnology research experts. We can expect the fiercest competition in future even from our own neighbours.

14. I am not here to draw gloomy comparisons for Malaysia's future. What I wish to highlight here is that we cannot expect to compete in all fields, while expecting our lucky streak to continue. We must choose our niches well, and focus on areas where we can truly be global champions.

15. Focus can best be exemplified. By leveraging on their competitive advantage as an agriculture haven, New Zealand has carved out a solid niche for itself. Half of all economic land use is dedicated to agriculture, horticulture and planted forestry, which in turn yields 20% of its GDP and a solid 47% of total exports. New Zealand is home to the world's largest exporter of dairy products, responsible for one third of all international dairy trade. This impressive achievement has not been the result of some magic wand. Rather, it is the result of an unwavering focus on specific niches where New Zealand has been able to achieve global scale and world class efficiency.

16. Malaysia too is not without its success stories in the making. In some areas, we are already building a strong momentum for future growth. Leveraging on our progressive Islamic credentials, we are already leading the world in developing Islamic financial products. Our stringent halal certification standards make us well-positioned to become a global hub for halal food products and raw materials. Malaysian construction companies, having built substantial expertise during the boom years of the 1990s, are now exporting their capabilities abroad, to India, Africa and the Middle East. The MSC continues to attract global firms to locate their shared services operations here. According to a recent global survey, we are the third most attractive location for outsourcing after India and China. In biotechnology, Malaysia plans to leverage on its biodiversity to build a strong base in herbal and other agro-based products. Once again, think about palm oil and the possibilities.

17. The list of opportunities appears to be endless. But the lesson here is this: we must make strategic choices for the future, in order to remain competitive. We cannot be the jack of all trades and master of none. We cannot expect to compete in everything; but in the niches where we do compete in, we must believe we have a more than even chance to succeed as global leaders. Anything less will consign us to become laggards in an unforgiving race for growth and development.

Accelerating the Pace

Ladies and Gentlemen

18. It is not enough that we have a focused strategy. Strategy means little without execution. Focus is nothing without pace. We badly need to up the momentum. We need to bring back a sense of urgency. Unfortunately, execution is where we often fall short. Our Prime Minister alluded to it as "First Class Infrastructure" with a "Third World Mentality". It is a malaise that threatens the momentum we are trying to

muster for future growth.

19. Omar al-Khattab, the second caliph of Islam, said this: "May God bless the man who says less and does more." And yet, we often fall into the trap of making pronouncements and motherhood statements, but yet fail to fulfill. Malaysians must learn to stop making excuses, and start to get things done quickly and done right. Rhetoric is not enough.

20. The Government is working hard towards speeding up execution, both in the public as well as in the private sector. Recognising the need to gear ourselves up for global competition, we have made better public service delivery a key deliverable. Government departments have been urged to cut red tape and streamline work processes. Frontline government agencies have made enormous strides in service delivery. Where it once took weeks to get a new passport this can now be accomplished in a matter of days. But we need more of government to quicken their pace. This sense of urgency must infect even the remotest corners of our bureaucracy. Queuing from 6 in the morning for appointments to deal with government departments must become a thing of the past. We can and must do better.

21. In corporate Malaysia, a wholesale reform of the GLCs is underway, becoming more performance oriented. Performance-Linked Compensation and fixed contracts bring corporate strategy to better and quicker fruition. Efficient execution is no longer a nice-to-have option; it is a must-have-at-all-cost imperative.

22. In short, the ability to outpace our competition will be key to our long term success. In the global arena, we will be judged by our ability to execute with speed and precision. We must out-execute our competitors if we hope to maintain our edge as a nation.

Strengthening Capabilities

Ladies and Gentlemen

23. The emphasis on "focus" and "pace" must go hand-in-hand with a commitment towards strengthening "capability". We must be prepared to invest in knowledge and people. A resilient and competitive work force mandates sustained investment in education, research and development.

24. Education is a key determinant. Malaysia, I am happy to say, continues to lead the pack. We consistently spend over 25% of total government expenditure on education, from building new schools to equipping our public universities with the latest R&D facilities. While we should continue to dedicate a large proportion of the national budget towards education, we need to ensure that financial resources are better targeted at areas where we may have been under-investing in the past. We must look beyond the bricks and mortar and invest much more on the intangibles, the software. We need to attract and train better quality teachers, find more innovative ways to use the technology we have in schools, encourage pre-school education, and ensure better curriculum design and delivery.

25. Of special concern are the 18,000 of our graduates who remain unemployed. Anecdotal evidence suggests a lack of soft skills and a weak command of English as the barriers to employment. The new policy to teach Maths and Science in English

has come under surprising scrutiny. We must of course make improvements – but with less hype and more analysis. After all, we share a common goal: to equip future generations with relevant knowledge and skills required to compete in a challenging economic environment and increasingly demanding job market.

26. Knowledge capital is as important as human capital. We must be willing to invest more in research and development. Our record however, leaves a lot to be desired. For every 1 patent applied by Malaysian residents in 2004, 9 others were made by non-residents. Over the last 5 years, only a mere 26 patents were granted annually to Malaysian residents. Part of this intellectual deficit can be explained by our acute shortage of scientific knowledge workers: by Government estimates, we need a further 30,000-40,000 scientists, researchers and engineers to plug this gap by 2010. Malaysians should not be just content to use and respect intellectual property but to create it.

27. It is a global world inward as well as outward. We cannot be parochial but instead we must become more open to acquiring technology and skills from abroad. Ireland, for example, catapulted itself into a leading position in scientific research through the recruitment of foreign scientists and the provision of abundant funds for R&D initiatives. From being the poor man of Europe a generation ago, Ireland today has the 11th highest GDP per capita in the world. Even the United States, the world's reigning economic and military powerhouse, continues to open its doors to talented knowledge workers to help sustain its leadership position in many fields. As an example, NASA has long relied on foreign scientists and researchers – of the 10,000 employed by the space agency, over 3,000 are foreign nationals.

28. Recognising that this global war for talent was taking place and intensifying, we in Malaysia embarked on a brain gain programme a few years ago. Our aim was straightforward: to lure back home qualified, highly skilled Malaysians working abroad, so that they could directly contribute to national development. Unfortunately, at the time, we focused on the more obvious things: how long one needed to have worked abroad to qualify, tax exemption for cars and income brought home, and work permits for foreign spouses. We expected a strong flow of returnees, but instead saw a steady trickle. We realise now that it takes much more to attract some of these talents home, and are in the process of designing a more holistic brain gain programme that will cover important areas like job placement, opportunities for professional growth and recognition, access to R&D and entrepreneurial funding.

29. Taken together, human and intellectual capital constitutes the most important source of capabilities for any nation. Under the 9th Malaysia Plan, the Government is committed to provide the required resources to strengthen these foundations as a matter of urgency.

Ladies and Gentlemen

30. Competitiveness must be a new mantra for all Malaysians. We must be prepared to step out of our comfort zone, and learn to compete with the best. It is no use being a jaguh kampung, proclaiming to be the best within the small confines of one's own village. We must be ready to compete in the global village of ideas – with the right focus, at the right pace, with the right capabilities. A fortnight ago, I hosted breakfast for a group of young Malaysians who did precisely this.

31. Our very own International Islamic University competed against 104 universities from around the world in an International Moot Court Championship held in Washington D.C. We emerged the runner up. A young Malaysian lady was elected best oralist. What impressed me most about our success was that evaluators in the finals included sitting Judges from the International Court of Justice in The Hague. These 6 Malaysian students are fine examples of the towering Malaysians our Prime Minister speaks of. We must encourage more Malaysians to lead the way as they have.

Ladies and Gentlemen

32. Let me conclude by turning to the purpose of this evening's gathering. It was a Cambridge man, Sir Isaac Newton, who once wrote in a letter to a fellow scientist: "If I have seen further, it is by standing on the shoulders of Giants." It is my sincere hope that through our efforts tonight, the Cambridge Commonwealth Trust can help many more young Malaysian scholars to realise their ambitions.

33. Let your contributions tonight be the giant shoulders on which young Malaysians can stand proud. Let your shoulders help them peer over their immediate obstacles. Let your generosity help them see their dreams brought to life. Let us give them the support they require, so that one day, they too can compete with the best of the world, and in turn, help secure Malaysia's competitive future.

Thank you.