

SPEECH BY
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MALAYSIAN ECONOMY"
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Saya bersyukur kehadiran Allah s.w.t kerana dengan izin dan makbulNya maka dapat kita bersama-sama di majlis yang cukup bermakna ini. Terlebih dahulu, saya ingin mengucapkan terima kasih kepada pihak Tetuan Skrine dan ASLI kerana sudi menjemput saya, seterusnya memberi penghormatan kepada saya untuk berucap di majlis ini.

2. I have been asked to speak on the subject of "Globalisation" and its attendant challenges and opportunities for the Malaysian economy. I will share with you some of my thoughts about this phenomenon, as well as some ideas on how both the government and the private sector should position themselves to meet the strategic challenges of the new millennium.

3. I find that the term "Globalisation" is a much used, much discussed, much misunderstood, and much maligned word. The meaning of this word is debated by policy makers and corporate leaders in high-level conferences all over the world, this word is bandied about by academics in many studies and essays; is the subject of banter at many official and informal functions (such as this lunch), and is perhaps even referred to at the local coffee shop or the favourite teh tarik stall. "Globalisation" is used to explain the unheralded riches and prosperity at the end of the 20th century, and yet is attributed as the main cause for the misery and loss of jobs of millions across the globe.

4. Make no mistake, ladies and gentlemen, globalisation is a process, nothing more and nothing less. Globalisation is not an end in itself, but rather the means to an end. But unlike other processes, the forces at work in pushing globalisation are powerful and all-encompassing. The global new economy, for example, is being driven by four forces - one, rapid technological innovation, particularly in information and communications technology (I.C.T.); two, tremendous rise in capital mobility, as witnessed in the global debt and equities markets; three, emergence of common global standards such as English, Dollar, Ph.D and Microsoft Windows; and four, continuous liberalisation and deregulation of trade and tariffs.

5. The global new economy is changing what commentators call "the rules of the game" in business. There is an explosion of consumer choice, and intangibles such as brand and intellectual capital have become crucial in differentiating yourself from others. There is intense competition in the marketplace, with a "winner takes all" environment. Geography and industry barriers mean less and less, as many markets become global. Beyond business and economics, the forces of globalisation also impact the social, cultural and political aspects of life.

6. The forces of globalisation can be seen in many forms. Consider that in just nine years, between 1990 and 1998, world exports of goods and services increased by 60 percent, from US\$ 4.7 trillion to US\$ 7.5 trillion. Currently, about US\$ 1.5 trillion move in and out of financial markets around the world daily. The number of international travellers and tourists has risen to three million per day, up from one

million per day in 1980. Foreign direct investment (F.D.I.) reached a record-high of US\$ 865 billion in 1999. Globally, international call traffic touched 100 billion minutes last year. And last, but by no means least, there are more than 300 million internet users in the world today, and this figure is expected to exceed one billion people in 2005.

7. Nonetheless, it is a tragedy that these dramatic numbers mean so little to so many people around the globe. The richest countries in the world account for 86 percent of world GDP, while the poorest nations account for only one percent. Similarly, the prosperous countries claim an 82 percent share of world exports, while the poorest can only muster an abysmal one percent. Global inequalities are growing - the distance between the incomes of the richest and poorest country was about three to one in 1820, 35 to one in 1950, 44 to one in 1973, and 72 to one in 1992. Worldwide, 1.2 billion people live on less than US\$ 1 per day, while more than a billion people in developing countries lack access to safe water, and more than 2.4 billion people lack adequate sanitation. It is even absurd, as I was told, that there are more obese people in the world today than there are malnourished ones.

8. But if globalisation is merely a process, surely we have the power to determine our final destination?. Malaysia has tried to change the process to one that is fairer, and one that takes into account the interests of the developing and less developed world. We are gratified that our calls for reform of the international financial architecture have met with some success, as can be seen in the recent U.N. Trade and Development Report, 2001. But as a small developing country, our voice is scarcely ever heard outside gatherings of like-minded small, industrialised countries, never mind the largest developed economies.

9. There is no doubt first-world countries need to work harder for development if globalisation is to deliver on its promises. Trade liberalisation, for example, has to be approached on a level playing field. At the moment, the process of liberalisation, dictated by the west, smacks of double standards in view of their insistence at protecting their key industries such as agriculture, while simultaneously coercing developing countries to open up sectors in which they already have a competitive advantage. Look at trade- related aspects of intellectual property rights, or trips (which I am told is of interest to lawyers at Skrine). In this case, developing and less developed countries find themselves at the short end of the straw, as certain patents make a number of critical goods, such as medicines, unreasonably expensive. Although it is fine to protect the intellectual property of the creators and innovators, this must also be done with some sincerity, understanding and compassion for third world countries.

10. Malaysia is certainly not an anti-globalisation heretic. We are a trading nation, with the value of our merchandise trade more than double that of our GDP. The influential "foreign policy" journal says that Malaysia is in the top 20 of the most global nations, across a host of criteria. Thus, although we will remain at the forefront in speaking up against the perils of globalisation, we will continue to be an economy dependent on trade and investment. We will rely on our trading partners to consume our exports, just as we welcome F.D.I. to provide our workers with jobs and skills.

11. Nonetheless, given that globalisation is not always fair nor just, and is likely to adversely affect our economy, there is still much to do. Faced with the grave challenges of a more integrated world, we have to prepare ourselves for change. We

want to be able to manage the transitions that are before us, rather than have the changes overwhelm us.

12. I see two main issues for Malaysia to tackle vis-a- vis globalisation. The first is for us to increase value-added capacity and sharpen our competitive edge, thereby fortifying the resilience of our economy. And second is for Malaysians to preserve the peace and harmony within the country for the benefit of future generations. One or the other is not enough - we must do both.

13. From a country not given much chance of success at independence, we have transformed into an industrialised and trading nation that is the envy of many. We are a leading country among the developing world, with a per capita GDP in PPP terms of about US\$ 8,200. We have achieved this through sheer hard work, dedication and commitment, with sacrifices made all around. However, the road travelled is a never ending journey. We must transform yet again if we are to attain Vision 2020. Malaysia must make the transition from being a production-based economy to a knowledge-based economy (k-economy) if we want to achieve developed nation status only 19 years away, as the world of the new age is one where knowledge is truly 'king'.

14. If there was ever a paradigm shift needed in Malaysia, this is it. We need to secure Malaysia as a k- economy before long. That is why all of the government's plans and policies - The National Vision Policy, The Third Outline Perspective Plan, The Eighth Malaysia Plan and other sector-specific plans - are aimed at achieving this. But this transformation must be with everyone's support - the public sector, private sector, civil society and ordinary citizens. On our part, the government will continue to focus on human capital development. Malaysia spends about one-twentieth of her income on education, and we will continue to do so. The government will also ensure that its policies are friendly to knowledge creation and utilisation. We will embark on sociological change, to root knowledge in our culture. The private sector must also play its part. Companies must be more willing to invest in their employees, as well as to invest in research and development (R&D) and in new technology. We need to see more knowledge-intensive activities across the country. Do not wait for the government to begin - it is companies that will benefit most from intellectual capital, and it is companies that will suffer most from foreign competition equipped with the latest knowledge.

15. Which brings me to my next point. In tandem with the k-economy, we must become more competitive. As our cost of labour is no longer the most competitive, we must find other sources of competitiveness. We must ensure that our workers are more skilled, flexible and efficient. We must upgrade our manufacturing processes from being largely labour intensive to one that is high- tech capital intensive. We must continue to ensure that it is easy to do business in Malaysia. Our policies will have to be more predictable and transparent, our legal system will have to be more efficient, and our bureaucracy more flexible to ensure that we remain a competitive economy.

16. True domestic competition must be regarded as a precursor to the full on-slaught of globalisation. What we want to see from competition is excellence. Malaysian companies must strive for success, whether in domestic, regional or global markets. The pursuit of quality cannot be mere lip service. Government assistance and support cannot be relied upon for much longer; indeed, such help is of little consequence on the world stage. Cosy domestic monopolies cannot and should not

be lasting. We must strengthen our companies by reducing official support, and by injecting greater competition in most sectors.

17. The government's role in developing and harnessing the economy's competitive potential will revolve around its ability to provide an economic environment that rewards businesses which are far-sighted, dynamic and innovative. The government will continue to put in place regulatory and legal environments that will create a market-oriented rules-based system which will, at the same time, enhance corporate governance. The government is serious about transparency, accountability and good management. Little else will do in the new global economy. For instance, the Malaysian code on corporate governance is the direct result of the government's push in this area. Furthermore, we are committed to restructuring debts, and to restructuring companies. For this, you need not look further than the stricter stance of the corporate debt restructuring committee (CDRC), or of the efforts to re-align UEM Berhad and MRCB to ensure that they are run professionally.

18. The final point I want to make regarding competitiveness relates to our mindset. I was reliably informed that Malaysian companies are not change-ready, and are not prepared to compete in the international markets. Surely, we have to remedy this. Our firms cannot depend on the local market alone - domestic profits are small, and even this is in danger of foreign competition. We need business people and entrepreneurs who are driven and ambitious, people who are ready to take on the world. Only through the capacity to innovate, the spirit of enterprise, and the desire to 'go global', can we develop companies that are able to succeed on the world stage.

19. The second issue that Malaysia must confront in globalisation is socio-economic stability. Accompanying the shift towards achieving greater competitiveness must be the political will on the part of the government to continue with our policy of growth with equity. Even as we prepare for globalisation, we ourselves do not want to end up embodying everything that is wrong with globalisation. We do not want increased incidences of absolute poverty. Neither do we want growing relative income gaps. As a rapidly developing country we are aware of the social instability that can result from relative deprivation. Particularly with a multi-racial and pluralist society, we must ensure at all times that relative deprivation does not result in racial instability and even violence.

20. There may be those who will point out that Malaysia's efforts to become more competitive are incompatible with a socio-economic policy that stresses income redistribution and the restructuring of society. I do not believe that to be true. The government, through our socio-economic policies, has never taken away from any particular group. Rather than leveling down, we have leveled up. Through robust economic growth we have been able to give those without, a little bit more of the added growth so that they can catch up to those with. Unlike communism that leveled everyone down, our policy has brought everyone up.

21. We must continue to do this. In particular, we must fine tune the implementation of our policy. We must ensure that those who genuinely need assistance receive help. We must also recognise that the growth rates of tomorrow may not be the same as those of yesterday. In such a case, or because of changing circumstances, we will have to revisit our socio-economic plan to see how it can be further tweaked, to ensure continued socio-economic justice and equity, while at the same time rewarding the excellence that is sorely needed in a knowledge-based economy.

22. Whatever policy adjustments may be required, one thing will remain constant; and that is the need to maintain the delicate balance that exists among our people.

23. Finally, in pursuing socio-economic stability, we must also seek to preserve our way of life. The perils of information overload and cultural homogeneity from globalisation must be met head on with our internal resilience. The diffusion of content and information, good or bad, is stark for all to see. We now have more than 2.3 million internet subscribers registered with internet service providers in Malaysia, and this will only grow as a result of our strong efforts to foster I.C.T.. Content from television is also expanding exponentially, through public stations as well as pay- t.v. - consider that ASTRO already has more than 650,000 subscribers, or 14% of total households. These forces cannot be halted by censorship or other controls. Thus, in times of confusion or uncertainty, we must hold dear to our culture, and to our values and principles; they are indeed the moral compass that will guide us in the years ahead.

24. Globalisation is big on promises, but has yet to deliver on them, particularly to developing and less developed countries. However, this process cannot be stopped. Although Malaysia will continue to fight to give globalisation a human face, instead of mere capitalist money chasing profits, nonetheless we must be ready for the extraordinary changes that the phenomenon will bring. The nation must transform to become a competitive knowledge-based economy, while at the same time maintaining her way of life and the peace and stability within. The journey ahead will be strewn with obstacles, but we must persevere and believe in ourselves and in our struggle.

Thank you.