

**SPEECH BY**  
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**AT THE MALAYSIAN INSTITUTE OF ECONOMIC RESEARCH (MIER)**  
**15TH ANNIVERSARY DINNER**  
**AT MUTIARA HOTEL, KUALA LUMPUR**  
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First of all, let me say that I am honoured to be invited to this anniversary dinner to celebrate the Malaysian Institute of Economic Research's (MIER) 15 years. It is a privilege to be afforded the opportunity to say a few words to so many prominent Malaysians and guests.

2. During MIER's fifteen years of existence, much has been achieved. At a broader level, MIER has stimulated intellectual debate on economic issues; it has advised the corporate sector; and it has supported the government's vision of economic development for the people. MIER has also worked with international agencies, and has been involved in joint projects in a number of countries.

3. Fifteen years is a long time for a non-profit organisation to be able to sustain itself. The fact that MIER has been able to do so is testimony to the quality of its work, and to the commitment and dedication of its staff.

Ladies and gentlemen,

4. Institutes like MIER have an important role to play in nation-building. We are perhaps at a crucial juncture in the history of our country. Malaysia's domestic capabilities are approaching world standards. We have built sophisticated infrastructure and facilities that we would barely have dreamt of twenty years ago. We have been able to offer Malaysian citizens and residents a high standard of living.

5. As Malaysia continues to develop, the forces of globalisation and liberalisation are also gathering momentum. We have to make decisions on how we are going to respond to these processes. We also have to make decisions on how we are going to deal with international agencies such as the world trade organisation, the international monetary fund and the world bank. To do this successfully, we will require hard work, careful thinking, and strategising.

6. Malaysia has faced many challenges both boldly and successfully. I have great confidence in our future because we have built strong foundations for the country in the past. The government, as early as the first Malaysia plan, declared unity of the states and the rakyat as a central objective. This was coupled with the objectives of improving our human capital and upgrading the quality of life. Increasing public and private investments and providing better physical infrastructure were among the other thrusts of the first Malaysia plan launched in 1964.

7. As you can see, there is a thread of continuity in policy, that stretches back to the 60s. The government has always focused its attention on eradicating poverty, reducing income inequalities, improving the quality of human capital, enhancing physical infrastructure, and increasing technological capabilities. We have resolutely pursued these themes to this day.

8. The new economic policy is another landmark in our planning process. It is an acknowledgment that equitable distribution must be in place if there is to be greater growth. Racial discontent cannot be allowed to ferment. There are few countries that have attempted to tackle this problem directly. Today we see that this has meant years of bloodshed and strife for them - agony that we have been spared. The gains that we have made over the years in correcting racial economic imbalances, will allow us to be more flexible in addressing similar issues today. Going forward, "growth with equity" is certainly something we will maintain.

9. Critics claim that planning did not create a Malaysian miracle. In fact, they say that the planning was why we succumbed to the 1997 crisis. They say that what seemed like a miracle was the cause for the debacle. The world was expecting us to go to the I.M.F. for aid. We did not, we have survived, and we are doing well. We were also admonished for adopting what were then called "unorthodox" policies. Today, the I.M.F. agrees that our policies have been successful in boosting market confidence, and in hastening economic recovery. Even free marketeers now acknowledge that capital controls can be a good thing.

10. We were successful in coming out from the 1997 crisis relatively unscathed. We have learned important lessons from that experience. Now we face a new set of issues and problems in the world economy. But I am confident that with the knowledge and experience that we have garnered so far, we are prepared for any eventuality, and we can ride the waves of globalisation and liberalisation.

Ladies and gentlemen,

11. Malaysia has taken many proactive steps to build on her past successes. Among others, we remain committed to strengthening our financial system. We are also steadfast in developing our capital markets. We released master plans to indicate the direction that we are heading towards. These will be first steps in creating some of the necessary safeguards and institutions before we expose ourselves to the challenges of liberalisation.

12. As we prepare ourselves for globalisation, we have carefully looked at our domestic capabilities. Technology is one important area of focus. We want to be a global information and communications technology (I.C.T.) player. We decided this very early on. The Multimedia Super Corridor (M.S.C.) is one initiative in that direction. We envisage the M.S.C. as a focal project. The M.S.C. will be the catalyst to create linkages, to encourage the growth of related businesses, and to promote the spread of the I.C.T. revolution.

13. The new phase of capitalism sweeping both the developed world and the developing nations is characterised by the integration of markets, the free flow of capital, and technologically, by the diffusion of I.C.T. At one extreme, there are the cheerleaders of globalisation, who wax lyrical about borderless markets and pervasive benefits. At the other extreme, there are the firm critics of globalisation, who speak of the impending horrors and the doom that globalisation will bring to developing countries.

14. As far as Malaysia is concerned, we see globalisation as an inevitable process. But we need to ensure that this process is fair and that all may benefit. I have often used this term before - that globalisation must be given a "human face".

15. We see many changes in the world today. Some happen instantly, some creep up on us. But we must always be aware of the changes in order to respond to them effectively. In the 1970s we could depend on the electrical and electronics sectors to attract foreign direct investments (F.D.I.), and to foster growth. We know that the same strategy will not work today. We are not a cheap-labour economy any longer. We are fast becoming a "stuck-in-the-middle" economy - in between high-tech countries and low-cost producing nations. That is why we decided to undergo the transition to become a knowledge-based economy.

16. It may sound trite, but a critical area of domestic capacity-building is human resource development. The government has sanctioned the establishment of seven private universities. It encouraged three internationally-reputed universities to open campuses in Malaysia. It permitted 591 institutions to function with a non-university status. Since 1998, the government has encouraged the setting up of 3+0 degree programmes.

17. These efforts are meant to make Malaysia a regional centre for educational excellence. We want education to be more accessible. We realize that education and knowledge are important inputs in the production function. We want the growth of our nation to be led by knowledge, not by sweat. We are preparing our people in that direction, especially our young.

Ladies and gentlemen,

18. Our economy was not in a position to ride the waves of the last industrial revolution. But we believe Malaysia has now come of age. We can prepare ourselves to seize the opportunities that present themselves in the information revolution. An I.C.T.- oriented education and training are part of the investment that we are making. These will allow us to catch the wind of the I.C.T. revolution in our sails.

19. At the same time, we must keep developing domestic capabilities. Structural and institutional reforms will remain necessary. More immediately, this involves developing the domestic financial system and capital markets. It also involves improving the twin engines that will propel future growth: human resource development and strong technological capabilities. But the private sector must play its role fully in our quest to be prepared for the challenges of a rapidly- evolving world.

20. We will continue to demand greater support and cooperation from the private sector. Thus far, much of this has been in the form of privatisation. But we must move from mere transfer of assets from the government into private hands. We believe that the private sector is an equal partner in development. The government cannot afford to be involved in all areas of activity. The cost of education has spiralled. The cost of health care has increased. So has the cost of providing infrastructure for transport. The government has offered abundant opportunities for the private sector to participate in development. Now, as the country braces for the onset of the global village, the private sector has an increasingly important role to play.

21. Our corporations have a responsibility to be resilient in the wake of liberalisation. They need to strengthen their accounting and disclosure procedures, and to benchmark themselves against the best in the world. They need to review their approach to risk management, and to welcome and embrace market-based

discipline. Just as the government will shoulder the responsibility of creating a conducive business environment that stresses fair, rules-based competition, so too must corporations carry their own weight in development.

22. Malaysia remains strongly committed to the market mechanism. We know the marketplace can be brutal, that the market has its imperfections. Nevertheless, the market is the best mechanism we have, subject to the government's intervention when the market fails. The primacy of markets in globalisation is a reality we cannot ignore. In participating in the process, Malaysia seeks to negotiate and shape international thinking in some areas, not to be a mere bystander. For instance, we articulated the need to re-think the international financial architecture. This suggestion was initially scoffed at, but it is now commonly accepted. More must be done - we must champion free and fair trade for all, certainly not just for the rich nations. This is not only morally right, but makes good economic sense.

23. Malaysia must find ways to benefit from globalisation and liberalisation. We must emerge economically stronger. We have no other choice. But our economic progress must be achieved without sacrificing a high quality of life, social justice, and the enhancement of spiritual and moral values. In the wider sense, this means a country where people have all the quality opportunities that they need in order to develop their capabilities, and where racial and social sensitivities are taken into consideration.

Ladies and gentlemen,

24. The current economic uncertainties, combined with the forces of globalisation, liberalisation and the I.C.T. revolution, are enough to give nightmares to economists and political leaders alike. How do we plan for actions and events clearly not within our control?. Although we face grave difficulties, all is not lost. We have gone some way in enhancing our nation's resilience, so we should be able to weather some of the storms. But the grey clouds will not be retreating just yet. The journey ahead requires clear thinking and quick understanding, as well as creativity and innovation in finding new solutions for new problems. Conventional wisdom will not do, in the face of never-before-seen conditions. Most of all, we need to have the courage and moral conviction to do what is right for us.

25. As you can see, we have much to do in the coming months, as well as in the decade or two ahead. We greatly need the support of the private sector, civil society and government in these times, to ensure that we are able to achieve the goals that we have set for ourselves. MIER, being a think-tank, has an important role to play. I am confident that the able personalities at MIER, will continue to serve the nation. Let me end by congratulating the institute on its 15th anniversary, and hope that its services will extend for many more years to come.

Thank you.