

"THE ASIA SOCIETY" DINNER

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Let me thank The Asia Society for the opportunity to speak on the way forward and the way ahead for Malaysia and Asia. As the subject is long and involved and time is a constrain, permit me to get straight to the point.

2. In the period 1970 to 1990, Malaysia was vilified for our massive attempt at social engineering, for trying to restructure our economy and our society. After several hundred years of distorted development and divide and rule policy by colonial masters bent on exploiting our land without regard for our feelings or freedom of choice, we inherited a multi-ethnic society of indigenous and non-indigenous people separated and compartmentalised by social and economic disparities.

3. Governments everywhere, when they care, have always tried to right perceived injustices in their society. That was what Communism and Socialism intended to do. They failed of course but that was because somewhere along the way they forgot the purpose of their ideologies. Malaysia rejected Communism and Socialism even before they became clear failure. We devised our own affirmative action-like socio-economic programme called the New Economic Policy.

4. But when the Government intervened to right the fundamental injustices, in the course of which some less than equitable things had to be done, we were vilified by all and sundry.

5. In the 20 years of the New Economic Policy between 1970 and 1990, we developed our manpower base and educated our people. We moved massive numbers of our citizens to new levels of aspiration and performance. We grew by an average 6.7 per cent per year. We managed to truly and substantially restructure our economy, our social psychology, our ethnic mindsets and our racial politics quite radically.

6. In real life, all progress has a price. We paid the price that had to be paid. But few Malaysians today will say that it was too heavy a price. And surprise surprise, many of those who condemned us then commend us now. They now talk of the Malaysian model as worthy of emulation.

7. Since 1991, the whole society of Malaysia has rallied around what we call Vision 2020. This Vision sets many targets. But the target that has captured the imagination of the people, and I am glad to say, even that of the opposition is that of growing by an average seven percent over the years 1991 to 2020, thus doubling our national income every ten

years and emerging as a fully developed nation by 2020. Ambitious perhaps, but we believe we can.

8. In order to achieve this most 'heroic' of goals, we have set in place a series of economic reforms and strategies, that we call "The Winning Formula". So far, this Winning Formula has given us, over the last eight years, an average growth rate of 8.9 percent with an average inflation of 3.5 percent.

9. Many things make up the Winning Formula. First, we said that it was not the business of government to be in business. We began in the early eighties a fundamental strategic shift to ensure that the private sector would be the primary engine of growth. It took years and we went through the hardest of times. But the private sector - both foreign and domestic which we nurtured and fostered -- is today vibrant and enormously enterprising. It has become truly the primary engine of our growth.

10. In the early eighties, when we started our new reforms, our civil service was huge in relation to the rest of the economy. It crowded out the private sector in terms of skilled manpower, financial resources and it monopolised a host of business activities. We forced a retreat. We downsized to a point where the civil service is just about the right size. We must continue to modernise and upgrade administrative efficiency. But we will continually work to ensure its rightsizing.

11. Third, we pushed hard in the eighties with de-regulation. We went at the red tape with a powerful pair of scissors. In the years ahead, we will continue to deregulate where deregulation is necessary regardless of the gratuitous advice we get daily from the those who assume they know better, despite being from countries which do not do so well; countries which messed up our economy in the past.

12. Fourth, we have over the last ten years privatised massively. Our privatisation programme, begun long before the word was popular, is among the most successful in the world.

13. It is amazing how facilities which were incredibly dependent on subsidies, organisations into which the Government had to pour hundreds of millions of dollars every year, have been able to make such huge profits immediately they were privatised - even when they were run by exactly the same management, manned by exactly the same workers. All that was needed was to change their mission, to commercialise their role and then off they go.

14. Today, unlike in many other countries, our workers are the greatest supporters of privatisation because they know that privatisation means better pay, ownership of shares and frequently bonuses. We will continue our massive privatisation programme in the years to come, even though the great economic critics loudly condemned our privatisation for, according to them, benefitting only a privileged few. It is difficult for them to believe that the natives can be fair to their own kind. Malaysia's privatisation has benefited every member of the population, with no exception. We have figures to prove this.

15. From the very beginning, we never had any romantic doubts about the value of industrialisation. We always had a certain fascination with industrialisation, something we were not allowed to do when we were ruled by an industrial power which wanted us to be a permanent market for their goods.

16. We set our hearts on industrialisation from day one. Our initial drive for jobs through labour intensive industries succeeded so well that we are now short of workers. Now we want capital and technology intensive industries to reduce dependence on labour and to increase their wages. Some say we cannot do it. Hi-tech is beyond our workers. But they said the same thing when we switched from planting rice to manufacturing.

17. In 1980, manufactured goods accounted for 21.5 percent of our exports. In 1995, it accounted for 79.5 percent. This year, we expect that 83 percent of all our exports will consist of manufactured goods. Obviously we are progressing. We can progress some more.

18. A sixth element of our Winning Formula, is the horizontal and vertical expansion of small and medium scale industries. They play an important role in supporting our major industries and reducing dependence on imports.

19. We will continue to rely on export-led growth. Our market is far too small. The whole world must be our marketplace. Entry into the world market throws our companies against all comers and subjects them to the full force of global competition. They must be lean and mean, tough, resourceful and resilient. And we know of no better way to achieve this than to force them to face the full force of open competition.

20. Central to our Winning Formula is the further liberalisation of the Malaysian market. We have always had goods from all over the world in our market. Long before the idea of WTO we had already reduced or even abolished certain import duties. We did this to benefit our consumers. But now

we want our producers to compete also. We know we are going to meet with less than liberal attitudes towards our exports. Non tariff barriers are being invented by those who used to export to our markets. But we will fight tooth and nail to be competitive and to overcome restrictive and managed trade.

21. We have always emphasised the importance of foreign direct investment. We have no qualms about FDI. We don't think they will take over our Government as the banana companies did in other parts of the world before.

22. Let me be honest. We need FDI because they bring the ready-made entrepreneurship, the market and the marketing savvy, the modern management and the technology. The contribution of your capital and your assistance in ensuring market access and in making sure that your countries do not become restrictive are also much appreciated. As much as we have become a prosperous market as a result of foreign investment, we are now investing in foreign countries to create the prosperity which will provide us with good markets for our exports.

23. Our passion for foreign investment does not divert us from a similar passion with regard to domestic investment. And in the last few years, it is gratifying to note the growth in domestic investment, which has often surpassed the growth in foreign investment.

24. We believe that infrastructure should precede and act as catalyst for development. A couple of years ago we ran short of power. We resolved that in record time.

25. Now we have embarked upon the huge Bakun project and we have run into a barrage of criticism, from the environmentalists, some of whom think we should depend on the sun, wind and the waves. We will gladly take their advice when they have destroyed their own hydro and thermal stations. Until then we must assume that they have other motives. We are also building a huge new airport, enlarging our ports and extending our roads, railways and telecommunication network. No monuments these. They are really essential infrastructures.

26. We know that even more important than physical capital for fast development is human capital. Practically no nation on earth spends more on education per capita as Malaysia does. We nevertheless are far from satisfied. We realise we must do much more to traverse the ground to 2020. We will do more to educate our people.

27. In the meantime, if we are short of labour we will allow their importation. If we are short of the people with special

talents and skills whom we cannot produce in time, we will allow for their easy and speedy entry. If there are administrative difficulties we will overcome them.

28. There are those who believe that entrepreneurship cannot be bred, fostered or developed. Entrepreneurs are simply born. They develop naturally.

29. We believe that nature can always be given a helping hand. And we believe that entrepreneurship is so important that we actually have an entrepreneur development ministry. Today the sons of rice farmers and fishermen own and run billion-dollar companies successfully. Small and medium industries have sprouted, run by the new entrepreneurs who have emerged because of training and opportunities identified by the Government.

30. We are most determined to fight against inflation. It is worth noting that between 1970 and 1990, when our economy grew on average by 6.7 percent per year, our average inflation rate was only 2.9 percent. In the mega-growth nineties, when we averaged close to nine percent, we have managed to hold it down to an average 3.8 percent.

31. We confess to having a phobia about inflation. This phobia has helped enormously in keeping our cost of living low. It has made many of the companies operating from Malaysia awesomely competitive. And we have now set the target of zero inflation for Malaysia even though all the learned economists have told us that this is neither possible nor desirable. Our strategy is simple; keep our cost of living low so that our comparatively low earnings do not result in low standards of living. Yet our production cost of everything will be low and competitive.

32. We also believe in a competitive exchange rate which reflects the long term market forces. We will only intervene to even out unmerited short term fluctuations caused by excessive speculation and market manipulation. We accept that nations have to abdicate their control over their own currency but we cannot accept in toto the kind of manipulation that can bankrupt countries.

33. Also central to our Winning Formula is a determined emphasis on industrial technology development and the establishment of a society that has a fascination with engineering and technology. We do have a long way to go. But our factories today are no longer the screwdriver operations and simple assembly they used to be. We are more sophisticated now and we can be even more sophisticated in the Information Age. Malaysians have a reputation for learning very quickly.

34. I have emphasised industrialisation and our fascination with the manufacturing industry. But we also understand the enormous possibilities of the services sector and we have put in place policies and laws calculated to stimulate this sector.

35. Agriculture will be industrialised in order to reduce smallholder farming. At the same time new crops will be introduced, including new tree crops suitable for timber and other industrial uses. With bigger holdings, better management and new crops the rural people should earn much more than they do at present.

36. Malaysia is committed to development. We are committed to industrialisation. We will not be deterred. And we will not be diverted.

37. At the same time, our environment is of enormous value - economic and non-economic - to us. To destroy our environment for the sake of short-sighted and short-term benefit is a crime against our future. It is a stupidity which we will not allow. But we will not impoverish ourselves by denying us our own potential. The greatest cause of pollution is poverty. We will ensure that we do not fall into the poverty trap. Malaysia will develop, striking a balance between the preservation of the environment and the needs of our people.

38. We also believe in the establishment of an information rich society. Accordingly we have now launched our programme to establish an MSC (Multimedia Super Corridor) with its own 'International Bill of Guarantee' and special incentives within a 15 kilometre by 50 kilometre corridor stretching from the Twin Towers of the Kuala Lumpur City Centre to our new airport with Putrajaya, our new administrative capital in between. It is our intent to attract all the top international players in IT and the multi-media game to this Multimedia Super Corridor.

39. Let me end this brief exposition on the major reforms of the past decade and the key economic strategies for the decade to come with a few words on 'Malaysia Incorporated', another component of our Winning Formula.

40. Its purpose is to ensure that all who work in Malaysia work as one team, in pursuit of our common objectives. This must mean mutual respect and mutual help between those in the public and private sectors. Business must live up to the expectations of good corporate citizenship. Our civil servants, on the other hand, must not see businessmen as avaricious opportunists interested only in the quick buck. Indeed, all must realise that profits, reasonable profits,

contribute to wealth creation. Profits enrich not just the businessmen but their employees, their suppliers, petty traders and of course the Government. Thirty percent of business profits belong to the Government. It stands to reason that Government should help businesses make reasonable profit in order to get the 30 percent that is the Government's share. The concept of Malaysia Incorporated, or Government/private sector cooperation is therefore logical and right.

41. The priorities that Malaysia will accord to each of these key policies or strategies at any point in time can change and be subjected to fine-tuning. And they will be augmented by other necessary reforms in the years ahead. But so far, our Winning Formula has yielded spectacular results. I believe that the Winning Formula will continue to be the way ahead for Malaysia.

42. Since I have been asked to speak also on Asia and I have so little time left, permit me to be brief and to focus my remarks on only three points. First, to use a phrase Americans can fully understand, give us a break. Second, Go West. Come out in full force to what you call 'the East', help us in the making of a prosperous Asia. Partake fully in and profit fully from our common prosperity. Third, let us all, together, build a global commonwealth in the 21st century, a single global commonwealth such as the world has never seen. Let us make the 21st Century the Century of Planet Earth, the century when prejudices on the basis of continent or country, race or colour are ignored and prospering each other becomes the universal creed.

43. Please be fair. Please do not expect us to achieve in one or two decades, still less in one or two years, what it took you one or two centuries to achieve. Please do not forget that two centuries and one civil war stood between the Declaration of Independence (where you so rightly proclaimed the virtues of democracy, where you so rightly proclaimed that 'all men are created equal') and the Civil Rights Act of June 1964.

44. Please allow us to honestly earn our daily bread, through the sweat of our brow and the hard work of hundreds of millions of our people, very much in the way that old Europe allowed young America to profit from the toil, the tears and the sweat of the American people. America was never forced to be exactly like Europe, never required to adopt the institutions of Europe, before Europe allowed the New World to trade with the Old.

45. Secondly, don't just be fair to us. Be our partners in development and dynamism. Come out to Asia. Be adventurous once again and leave the comforts of home for pastures less

green than yours. Use your enormous strengths, creativity, and genius to help build and make a new world in Asia - very much in the way that you ventured forth and built a new world in the American West.

46. Mankind has never before had the mutuality of interest, or the technology or the resources to build a single global commonwealth. When we talk of the peace dividend with the end of the Cold War, think not only of the savings on our defence expenditures. Think beyond it. Think honestly of creating a single global commonwealth of common and mutual prosperity.

47. Let us forever bury primeval and primordial 'beggar-thy-neighbour' reflexes. Let us all put in their place prosperity-thy-neighbour impulses aimed at ensuring that all our neighbours, far and near will prosper. Imagine the dividends if Europe is vibrant and dynamic, if all of the Americas is vibrant and dynamic, if all of Africa is vibrant and dynamic, if all of Asia is vibrant and dynamic. It would indeed be a new world.

48. Almost exactly one thousand years ago, in the world that was Europe, there was near panic as the year 1000 A.D. approached -- for the learned clerics and intellectuals of that time sincerely believed that the world would come to an end one thousand years after the birth of Jesus Christ.

49. Today, one thousand years later, we are less superstitious, more pragmatic and more scientific. Let our uncommon common sense prevail. Let us build as determinedly as we can destroy.

50. If Asia and America can be joint venture partners in prospering each other and in working for a single global commonwealth of common and mutual prosperity, clearly a new beginning will have been made. It would be a fitting beginning to mankind's third millennium. And it would guarantee a third millennium infinitely more fruitful than the first two.