

THE OPENING OF THE STRATEGIC THINKING SEMINAR

DEWAN SAN CHOON, WISMA MCA, KUALA LUMPUR, 09 OCTOBER 1997

1. I would like firstly to thank the organisers for inviting me today to speak at this seminar and to officiate its opening.
2. Strategic thinking is a relatively new thing. People have been thinking for a long time, I think. But the results sometime seems to be that they don't think at all - much less strategise their thinking. That is why in the history of mankind there have been any number of quarrels and wars and killings and brutality. If we think we would not be doing all these because they are not only inhuman (in fact they are really very human for humans tend to be quite inhuman), but they do not bring any gain to anyone.
3. Take the last world war - 20 million died because Germany and Japan wanted to have an empire while Britain, France and America wanted to keep the empires they had. In the end Germany and Japan won nothing while Britain, France, the United States, Netherlands and others did not get to keep their empires.
4. On the other hand after the war Japan and Germany became great economic powers and dominate the world, while Britain and the other so-called victors became less than second rate nations.
5. If they had thought deeply in the first place, the present situation could be achieved without having to kill 20 million people and to atom bomb two cities to nothingness.
6. Not having learnt to think after four millenniums, can we learn to think now? Can we really learn to think strategically?
7. Although wars between nations were not the result of strategic thinking, rather they were the result of greed, the battles and the conduct of wars do involve strategies and strategic thinking. In fact at one time strategy was only alluded to in the conduct of battles. Do you make a frontal attack or a flanking attack or a pincer movement? Do you soften the enemy first through bombardment or do you take him by surprise with no bombardment to warn him? Do you retreat in order to draw your enemy into a trap or do you withdraw to regroup and counter attack? And many more strategies and combinations can be worked out, debated, tested and employed.
8. Of course the strategist would be credited with thinking up the right strategy for winning the battle. But actually it was the victory which made the strategy seem correct. The same strategy would be blamed if the battle was lost.
9. Still it is good and sometimes necessary for strategies to be decided upon when attempting to do something. The strategic thinker examines the different approaches to achieve the objective. He tries to picture the possible scenarios and the reaction to each part of each scenario in order to determine whether the strategy will succeed.

10. In thinking strategically no feelings, sentiments or emotions can be allowed to influence the approach. The thinking must be devoid of bias, of self-interest even if the objective is self-interest. The possible reactions and thinking of others, friends and enemies must also be taken into consideration and dispassionately weighed and adjudicated.

11. After careful scrutiny of all the possible scenarios and the reaction or effect of each part of each scenario, then and then only can a route or an approach be chosen. If the thinking process is as described then it can be considered as strategic thinking. The chances of success would be greater if the thinking is strategic but there can never be absolute certainty.

12. I am not a military man. So I am quite relieved that the organisers have not asked me to speak with regard to strategies on how to win battles on the battlefield. I am not a political scientist either. So I am relieved that I am not required to speak to you like an academic. I am a trained medical doctor -- rather out of touch with my profession now and probably would never be in touch again. Doctors usually have no strategy. Certainly I did not when I was practising. I only had a kind of routine which I must say served me well in politics also. Whenever faced with a problem I would begin by taking the history, enquire about the symptoms i.e. how the problem manifest itself; do a physical examination (like examining latrines and flushing them to see whether they work), do some lab test, make a diagnosis (must make a diagnosis -- must not fear being wrong because not diagnosing or deciding is worse than diagnosing or deciding wrongly) then treat or propose a solution to the problem. No strategy required.

13. But I must admit that in the running of a country strategies are required unless you just want to administer and not develop. To develop i.e. to improve over the present state, we must have a strategy and a strategic plan.

14. Perhaps I should give my own definition of strategy. A strategy is a set of approaches towards achieving an objective. In the case of a developing country like Malaysia the objective is to develop the country -- to achieve developed country status by the year 2020. Having a clear-cut objective makes the strategy towards it less difficult.

15. One can develop a country in many ways. One can just tag along, attending to problems as they present themselves. But people might get impatient and throw you out of office. This strategy might not work.

16. One might decide on providing education and training and leave the rest to the initiative of these people. But they may not be too keen to develop the country as much as they are keen to develop themselves.

17. There are many things or many approaches that one might use. They may succeed or they may fail. But I am not attracted to the passive kind. There is too much uncertainty.

18. The better thing it seems to me is to analyse the objectives and set out to

achieve each one of them by knowing what is needed and meeting the needs.

19. Malaysia is a country of many races and religions. It is therefore potentially unstable. If the development objective is to be achieved there must be peace and stability -- politically, socially and economically. The strategy adopted was to make everyone a little bit unhappy with his lot by denying everyone some things which he wants. The reason is simple. You cannot give each one everything that he wants because it involves taking something from someone else. At worst this approach may result in all of them ganging up against the Government, which would bring them closer together. At best they would realise that others are not happy too because they too have to give up something. They can then say "serve you right" to each other and get some satisfaction from seeing the suffering of others. It is in the nature of Man to get satisfaction from the misfortunes of others.

20. Whatever the reason racial problems and antagonism has not plagued this country and hampered development since the 1969 race riots. Maybe our strategy was right, I don't know.

21. On the other hand other countries have made the pursuit of happiness (presumably by all their citizens) their objective. The fact is that there can never be happiness for all. How could there be when the happiness of one group depends on the enslavement of another group? To correct this, slavery was outlawed. The newly liberated slaves were happy (for a time) but their masters were not. It would be better if instead of aiming for happiness for all, the aim is a little sadness for all. It is easier to achieve equitability of sadness than equal happiness. On the other hand if the objective is to pursue happiness then all may do so without ever achieving it. But happiness will elude all. All will be unhappy forever.

22. In the attempt to achieve equitability Malaysia could have taken the easy route. Communism and socialism both believe that equitability could be simply achieved by taking from the haves and distributing to the have-nots in equal portion. Fortunately Malaysia rejected that route. As we now know the only result of robbing the rich to give to the poor ala Robin Hood is to make everyone and the whole country poor, backwards and unhappy.

23. On the other hand absolute freedom to compete in a totally free market system also leads to extreme disparities and unhappiness. The rich with all the money and the forces at their command would become richer and the poor poorer. Society is not served by this extreme disparities.

24. And so we chose to allow for limited disparities in a regulated free market. The New Economic Policy (NEP) is the answer.

25. The NEP is as much a strategy for achieving political stability and economic development as it is to overcome the economic and social inequities within the multi-racial society. All these are to be achieved not by a process of robbing the rich to give to the poor but by creating opportunities and training the have-not

Bumiputeras to acquire the wealth and the social position which the non-Bumiputeras appear to be enjoying.

26. Still there must be some sacrifice on the part of the non-Bumiputeras, and therefore some unhappiness. But the Bumiputeras will not get and will not be given all that they consider their right, even in the interest of equity. Despite the consideration for the interest and feelings of all sides there was much criticism. The NEP legalised discrimination, said the all-knowing and all-wise foreign critics. In one country the courts threw out affirmative action because it was preferable to have inequity in fact than inequity in law. The law is all important and may not be tempered with even if it perpetuates injustice. Isn't this the age of the rule of law? It is not justice which is important. And so even if the law is unjust it must be preserved.

27. But Malaysia persisted with the NEP. In order not to take from the haves what they already have, new opportunities and avenues were identified or created.

28. While it was relatively easy to distribute equitably a little wealth to each of the Bumiputera so that everyone benefits from the NEP, there would still be no balance between the non-Bumiputera and the Bumiputera because in the non-Bumiputera society there are tycoons, a big middle class and poor people. On the other hand the Bumiputeras seem to live in a socialist society where everyone would be equally poor. Even when averaged out the two societies would exhibit great disparities. To make a success of the NEP the Bumiputeras must have almost as many rich and middle class people as the non-Bumiputeras.

29. This is not as easily done as giving scholarships, training, licences and small credit in order for everyone to benefit from the NEP. Something more had to be done if the Bumiputeras are to be stratified as are the non-Bumiputera. Privatisation gave the needed opportunity. The privatisation projects were big enough to propel Bumiputeras into the big league. But they have to be well selected or the whole strategy would backfire. Fortunately there were a few Bumiputeras who had learnt to manage big enterprises belonging to the Government. While they had not shone they were nevertheless experienced. It was decided to try them out. The rest is history. Today there are numerous Bumiputera managers and entrepreneurs in every field to make the Bumiputera's economic role and prosperity almost comparable to the non-Bumiputeras.

30. There are as yet not enough middle class Bumiputeras but various strategies have already been devised to enable the Malaysian middle class to have a fair Bumiputera membership.

31. The strategy for achieving the NEP target must not come too much into conflict with the strategies for a rapid growth of the economy. We have seen how the Socialist and Communist approach towards equitable distribution of wealth had resulted in stunting economic growth and general poverty all round.

32. The NEP as we all know did not get in the way of the nation' s economic growth. In fact the growth of Malaysia during the time of the full NEP implementation was quite extraordinary. Countries without racial problems have not grown as fast as Malaysia. 33. For wealth to be distributed there must be wealth to distribute. Otherwise you will be distributing poverty. Government cannot create wealth. It can only provide the conditions or the environment for others to create wealth. Not everybody can create wealth but in a community or a nation there usually are a few who have the knack or the skills to create wealth. They must not only be preserved but nurtured.

34. And so the Government of Malaysia was and is business friendly. We decided to adopt the much-criticised Japan Incorporated concept. The Government and the private sector will work together in order to create wealth for the nation. In fact it is not only national wealth which resulted from Malaysia Incorporated but Government revenue also increased through income and corporate taxes.

35. One of the strategies for increasing Government revenue is to reduce tax rates. Government actually abolished some taxes while income and corporate taxes have been systematically reduced. The result is that Government revenue has increased by 10 percent every year. Strange but true.

36. All these are not as simple as they sound. Strategies don' t work even if they are the correct strategies. The implementation of even the most carefully thought out strategies require careful judgement. A great deal of pragmatism and flexibility is needed and yet they must not be such as to make nonsense of the strategy. It is really doubtful whether Malaysia' s strategy can be adopted wholesale by others, although it is likely that the adoption of certain features may yield fair results.

37. While all these things are going on in the economic field the political field has not been neglected. A multi- ethnic society is one of the most difficult to handle politically. But Malaysia is not just multi-ethnic. That ethnic difference is amplified by lingual, religious and cultural differences. Fortunately for the nation the correct strategy was formulated or at least discovered by the founding fathers of the nation -- principally the first Prime Minister - Tunku Abdul Rahman.

38. The Tunku' s charisma and royal lineage enabled him to be accepted as a leader by the Chinese and the Indians. Unfortunately he took Malay and UMNO support for him for granted. The strategy was right but the handling was not quite so adroit.

39. Still the strategy of working together rather than fighting each other was basically sound. And so despite the race riots of 1969 Tun Razak expanded on the theme of collaboration rather than confrontation. The Tun opened up the Alliance and ushered in the National Front, a coalition of political parties of all shades and hues held together by a distaste for the kind of racial confrontation that resulted in riots and killings. There is no ideological glue which holds together the diverse parties of the Barisan Nasional. But the parties are much

more cohesive than ideological fellow-travellers who often form coalitions of opportunity -- or opportunistic coalitions. In fact the unity of the Barisan Nasional is more than that of a single party of many factions.

40. But the Barisan Nasional is not the usual coalition with a distinct first among equals understanding. The leadership of UMNO and its leader is acknowledged but no one interferes in the affairs of other coalition partners, not even UMNO or its leader.

41. There are many other unique features of the Barisan Nasional but suffice to say that the coalition is strategic. It has enabled the different races and the different racial and nominally non-racial partners to work together without losing their distinct identities and interests.

42. The Barisan Nasional strategy is simple and common-sensical. It is based on what every one believes and says is good, especially everyone who is not involved. Simply stated the strategy is that it is better to work together than to fight each other. Yet very few races and nations in the world would be prepared to make the necessary sacrifices in order to make cooperation and collaboration possible. Most prefer to fight and to massacre even in order to get everything for themselves. The situation in Bosnia Herzegovina, Algeria, Palestine and countries in Asia is typical of the all or nothing mindset. In all these situations the prize fought for will be totally destroyed so that the winner gets 100 percent of nothing. That 50 percent of something is better than 100 percent of nothing is obvious but jingoism prefers nothing to something. It is crazy but there are many who would chose to die for nothing, in the name of loyalty to the cause.

43. I have spoken at length about Malaysia and Malaysians and the strategies we use to achieve what we have achieved.

44. Throughout this narration you may glean the essence of strategic thinking. It really is not some gift, some strange capability. Strategic thinking is very much common-sense thinking. It focuses on achieving the target set by the best route possible -- which may be the shortest distance between two points or by a round-about longer route. Obviously strategic thinking includes lateral thinking. Indeed lateral thinking is an essential ingredient of strategic thinking.

45. As an example of strategic thinking employing the indirect approach, the tax strategy of Malaysia is worth citing. Under British rule a high import duty was levied on luxury goods, since luxury goods was unnecessary and those who bought them were the rich people. But the British made Penang and Singapore tax-free islands where these luxury goods of course were very cheap. The Peninsular people overcame this simply by petty smuggling. The Government gained nothing.

46. As travelling became more popular the amount of smuggling became quite substantial. After independence the smuggling was so big that shops in Malaysia ceased to sell luxury goods. Government was getting no revenue despite the high duty on luxury goods.

47. In the early days of independence the tax strategy was the direct straight line approach. To increase Government revenue increase the tax rates and the dutiable items. And so import duty, income and corporate taxes on such items as crown corks were increasingly taxed. Revenue increased a little but the cost of collecting taxes increased more. For the strategy and the effort it was not a worthwhile exercise. As a side effect people hated the Government.

48. A new strategy was devised in order to increase Government revenue and grow the economy as well. The tax on luxury goods was abolished completely and other taxes were reduced. No new tax was introduced. The result was quite startling. Shops began to sell luxury goods to locals and foreign tourists, making very substantial profits and of course paying more corporate and personal income taxes where once there was none. The lowered taxes attracted more new businesses, expanded old ones and generally increased the buying power of the people and the profitability of retailers and other economic activities. Although the tax rate is lower, the number of individuals and businesses paying taxes increased considerably and of course Government revenue went up. 49. The tax strategy of the Government does not hurt the people, does not alienate them, contributes to economic growth and increases Government revenue. The approach is lateral in a very radical way. To collect more revenue, abolish or lower taxes. It is, as they say, as simple as that. But it is strange how very few want to give up something that they have in order to get more of the something.

50. Strategic thinking cannot be based on feelings and emotions. Indeed it requires rejecting feelings and emotions. So-called nationalists for example want to force the use of their language on everyone. They want a law to compel such usage. But laws are notoriously incapable of promoting what people do not want. People will seek ways and means to negate the law.

51. The English language was not spread by law even in the days of the British Empire. It was spread by the obvious success of the English speaking people and the usefulness of the language for communicating between peoples of different races. People want to be identified with the successful, not with failures.

52. And so in order to promote a language the thing to do is to make the speakers of the language successful and worthy of emulating. If in order to become successful you must learn another language, in the interest of promoting your language you must do so. It is a paradox, but it is nevertheless true. It is of course another example of lateral thinking in the formulation of a strategy. You do something that is seemingly contrary to what seems rational and yet you achieve the objective. Again the line joining two points is not the shortest distance between the two. Strategic thinking requires that we don't always do the natural or the expected thing.

53. And so strategic thinking here and in many areas require a roundabout approach, not a frontal attack, not force but diplomacy. Some people have such a good strategy that you would be saying thank you even as they squeeze you dry.

54. I am an amateur in strategic thinking if my kind of thinking can be considered strategic. I am not qualified to talk on this subject. But I must admit that it is an interesting subject on which I should contribute my one cent worth of opinion.

55. You can ignore all that I have said and I wouldn't mind it at all. I will not go down in history as a great thinker. I am more a doer than a thinker. Many people say that I often shoot from the hips. Perhaps they are right. Certainly they take careful aim at me when they say that. But if you hold public office you must accept being shot at. I am glad that the shooting is hypothetical rather than literal. Other leaders are not so lucky.

56. At the moment, I am trying to think strategically about our economic and financial market. I have not come up with any good strategy. But I know one thing. If we panic and we lose our discipline, we Malaysians will suffer. We may not recover whatever the strategy we may choose to implement. But if we retain our composure and we are disciplined in implementing even a strategically weak plan, we will succeed if not fully at least partly. And as we go along we will make the necessary adjustments, and we will recover.

57. We are indulging in strategic thinking at the moment. We may come up with a solution soon. Give the solution a chance and, by the Grace of God, we will overcome.