

THE NATIONAL SMART PARTNERSHIP DIALOGUE

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"NATIONAL SMART PARTNERSHIP APPROACH TO DEVELOPMENT"

I would like to thank the Malaysian Industry- Government Group for High Technology or MIGHT for inviting me to officiate the opening of this National Dialogue today. The theme of this Dialogue, "Economic Recovery Through Smart Partnership" is certainly appropriate considering that Malaysia is currently putting together a national recovery programme involving all levels of society. What is required is that everyone should form partnerships with the objective of benefiting each other. This of course applies not only to individuals but also to groups or categories of people.

2. In Malaysia we have had a lot of experience in sharing. The NEP is a good example of sharing in which positive discrimination in favour of the weak and the disadvantaged was used in order to achieve equitability. The experience of human society has shown that equal sharing does not necessarily result in equitability. This is because some are more capable or better positioned to exploit their share than others. On the other hand when attempts are made to distribute wealth equitably as tried by the Communists, the result was disincentive and universal poverty. It is therefore necessary to accept that there can be no absolute equality but at the same time that every attempt be made to reduce glaring disparities. Smart partnerships are not intended to achieve absolute equality of benefits but a much fairer distribution of results.

3. The disparity between the races in Malaysia could have been corrected by simply taking the wealth from the rich community and redistributing them so that in the end everyone would have an equal share. But the NEP rejected this Robin Hood approach. Instead the redistribution was based on growing the economic cake and then distributing the growth parts so that the have-nots would have more to compensate for their smaller existing share. Since the haves could still retain what they already have and also get a portion of the new growth, albeit a smaller portion, there was no sense of deprivation. Indeed they were willing to work together with new partners who have been apportioned a part of their growth. Since they believe the redistribution would help stabilise race relation, they cooperated gladly and productively. The result is that the NEP gave birth to many smart partnerships between business as well as between the different ethnic groups. This led to the success of the NEP. Had the NEP failed we may be experiencing ethnic tension now.

4. Smart partnership was extended when Malaysia officially adopted the concept of Malaysia Incorporated. Here the public sector and the private sector worked as partners in order to facilitate the economic development of the country in which both have a stake. The old confrontative attitude between public and private sectors was discarded in favour of mutual help. The public sector realises that the success of the private sector actually contributes to the revenue of the Government, which goes to pay for the salary bills of Government employees as

well as the provision of public utilities etc. In helping the private sector the public sector is therefore actually helping itself. Of course the private sector benefits much by the positive attitude towards them adopted by the public sector. They in turn collaborate with the public sector in order to ensure that the objectives of the Government are achieved speedily and at minimum cost. Both sides therefore benefit and the nation as a whole also benefits. Altogether the Malaysia Incorporated partnership between public and private sectors is a manifestation of smart partnership in which not only do the partners gain but the public as a whole also gains.

5. Governments are by tradition expected to provide most of the utilities and infrastructure for the people and for business. Unfortunately the capacity of the Government is limited by the revenue and the loans it can raise. At any time the demand for utilities and infrastructure would exceed the capacity of the Government financially and physically.

6. The solution to this inadequacy on the part of the Government is provided by turning over the provision and operation of these utilities to the private sector. However if the private sector were to bear the full cost of the construction, maintenance and operation of the facilities they would have to charge the users very high rates indeed. On the other hand the Government still collects taxes and is therefore responsible for providing at least that portion of the utilities it can pay for. By apportioning a part of the investment and revenue of the Government to the cost of the services, it is possible for the rates charged to be lowered without causing the private owners and operators to sustain a loss. The privatised entities are in fact jointly owned by the Government and the private companies, although legally they belong to the private companies for the duration of the concession. There is therefore a partnership between the Government and the private sector. Such a partnership must constitute a smart partnership, for it serves not only the private company but also the Government and in fact the public as well.

7. Malaysia was formerly dependent on the production and export of two commodities, rubber and tin. Wide fluctuations in the prices of these commodities meant uneven growth for the country. Besides the two industries could not create enough jobs for Malaysia's growing population. Even after oil palms and cocoa were introduced the prospect for economic growth and higher income for Malaysians was poor.

8. A decision was made to industrialise by manufacturing goods for local consumption and for exports.

9. But Malaysia had neither the expertise nor the capital needed in order to set up industrial plants. It was decided to invite foreign investors to come in with their knowhow and capital. Incentives were provided. The strategy proved very successful in creating jobs and generally developing the country.

10. The foreign investors of course benefited from their investments but Malaysia and Malaysians also benefited. They not only got jobs but by servicing and

supporting the need of the foreign-owned industries they earned better incomes. They then became good consumers of the products exported by the countries of the investors.

11. Obviously by inviting foreign investors Malaysia was in fact entering into a smart partnership in which both sides gained.

12. From the foregoing it may seem that all partnerships are smart partnerships which bring benefit to both partners. But this is not always so. In the colonial days the colonies and their peoples were exploited without regard for sharing. If the peoples in the colonies were not cooperative then immigrant workers and traders were brought in in order to facilitate the extraction of the wealth of the colonies to the maximum. That the importation of foreign workers and others caused political and social problems for the indigenous people was ignored. In the case of Malaysia the indigenous people not only lost their exclusive rights but were actually made poorer even as their country was being exploited to enrich others. Clearly there was no smart partnership during the colonial days.

13. There are many more instances of partnerships which are not smart but Malaysians have been able to practise smart partnerships since independence and so build a prosperous country in which everyone has a fair share. It looked like they were going to go on developing until they achieve their target of becoming a developed country by 2020. The smart partnership they had developed between the different ethnic groups, between the public and the private sectors and between the workers and management looked set to boost the country's growth.

14. But what they had not expected was the emergence of the antithesis of smart partnership. The world economic culture has been changing so that the old ethics of mutual help and mutual gains were being replaced by aggressive attacks and hostile acquisitions which have no regard for mutual benefits. Instead of smart partnerships, dominance and a winner takes all creed have gained acceptance. The old ideas about morality, ethics, honour and equitable sharing and caring have now been replaced by ideas that openness and transparency in business dealings are sufficient to ensure that unacceptable practices such as corruption and cronyism be eliminated.

15. It is assumed that if there is no corruption and cronyism then business would be facilitated and fairness would result. Discriminative protection even for the weak would result in distortions and would be bad for business.

16. Since the Governments of many developing countries especially in the East are believed to be corrupt and practise crony capitalism then their rapid growth and development must have been achieved through this. It is also assumed that only a chosen few had benefited from the sterling performance of these countries. The fact that clearly all the people seem to have benefited is dismissed as an illusion. Whatever may be the apparent result, the elimination of corruption and cronyism would make these Governments and their countries better.

17. Since on their own these Governments are not likely to give up their evil ways then they must be forced to do so. The force used was the drastic impoverishment of these countries and their people through currency devaluation. And so in June 1997 the tiger economies of South East Asia had their wealth reduced drastically through devaluation of their currencies and the shares on their stock exchange. They were told that the devaluation is the result of a lack of confidence in the economic management of their countries, specifically their corruption and cronyism.

18. The economic turmoil caused by the devaluation of the currencies of these countries reduced the tigers to whimpering kittens and forced them to seek help from international agencies. The conditions for this help are more than just the elimination of corruption and cronyism. The countries have also to increase interest rates, reduce credit, raise taxes and open up their countries to full access to their companies by foreign companies i.e. foreign companies must be allowed to establish 100 percent foreign-owned companies and banks and to buy majority shares in the businesses and banks of the distressed countries. The effect of currency devaluation coupled with the conditions exacted by the international agencies is to make it almost impossible for these countries to recover economically. Any idea that they may have to catch up with the developed countries has to be jettisoned.

19. There is absolutely no consideration given to the sufferings and miseries of the suddenly impoverished people and their countries. Going beyond the economic field, the threat of losing confidence was extended into the social and political fields. Failure to conform socially or politically results in economic pressure being applied through further devaluations of the currencies. In one instance the currency of the country was devalued by 600 percent i.e. foreign goods and services cost six times more than before. Of course loans in foreign currencies require six times more of the local currency to pay. Since the economic recession makes it impossible to earn even the old level of profits, the countries so attacked find themselves totally unable to import essential goods and services to pay their debts. Technically these countries have been bankrupted.

20. It is said that in time these countries will recover. But what is there to stop repeated attacks on their currencies and continued turmoil. Even if the attacks stops, the massive damage to their economies would take decades to be restored. Certainly their ambition to catch up with the developed countries would not be achieved in the time projected. In fact they may never make it at all.

21. In smart partnerships, the partners all benefit. Openness and transparency may be able to eliminate corruption and cronyism and other undesirable practices, although this is far from certain. But from what we have seen openness and transparency have not benefited the country under attack. In fact the new creed does not recognise any partner at all. They were merely objects for attacks which will give the attacker considerable gain in a very short space of time while leaving the victim impoverished, incapacitated and burdened with

insoluble economic, social and political problems. By no stretch of the imagination can we regard the action of the attacker as smart. True they have gained financially but what their victims lost is far more than the gains attackers made. In smart partnership, there is not only a fair apportionment of the gains but there is also an increase in the original wealth. But in the new commercial ethics there is actually a diminution in the original wealth. This cannot be regarded as smart.

22. The advocates and practitioners of smart partnerships must be cautious about accepting the new ethics of the commercial community. Openness and transparency is not enough if there is no accompanying morality, honesty, honour and caring for others.

23. We are now engaged in trying to bring about economic recovery following upon the devaluation of our Ringgit and the shares of our companies. To succeed we must cling to our high values, to morality, honour, honesty and caring for each other. We must not be selfish and act only in our own interest. Thus we must not take out our money from our Malaysian banks because someone has suggested that our banks are weak and may go under despite Government guarantee. We must not put our money in other countries or in foreign banks because we would effectively be depriving our fellow businessmen of credit.

24. We should not join in the sale of shares and profit taking the moment share prices appreciate.

25. Instead we should support our businesses in everyway. We should support the Buy Malaysian campaign. We should reduce foreign travel, bring back our money, etc-etc.

26. The partnerships that we have developed between the races when implementing the NEP and the NDP, the partnerships between the Government, the private sector and the workers and their unions, and the partnerships inherent in the methods of privatisation we have developed must not only be continued but must be intensified. The basis of our prosperity was economic growth at a high level. We may not need to grow at the old rate in order to achieve recovery but we must ensure that reasonable and sustainable growth is achieved. By the kind of smart partnerships that we have developed good growth can be sustained.

27. Smart partnerships also demand that we make some sacrifices now in order that recovery would be hastened. The Government has formulated many approaches and policies which may seem to impose restrictions in our quest for personal or even company interest. But in the long run we will benefit through the minor sacrifices that we are called upon to make. We all, members of the Government, the business community, workers and others must accept these sacrifices. They will benefit all of us in the end.

28. In everything that we do we must consider ourselves as partners to everyone

else. By caring for the interest of our partners, by helping them, we will be hastening economic recovery. And when we recover we all will reap benefits. Clearly by helping others we will be helping ourselves.

29. Smart partnership is the way towards economic recovery. Anything that stands in the way of Smart partnership must be eschewed, rejected. That way we will recover sooner and we will all benefit.

30. I wish you a successful dialogue.