

The National Conference On The National Vision Policy The Eighth Malaysia Plan & Privatisation

The Sunway Lagoon Resort Hotel, Bandar Sunway 27 August 2001

"Achieving Sustainable Growth, Strengthening Economic Resilience - Malaysia's Path To Prosperity"

I would like to thank the Economic Planning Unit (EPU) and the Asian Strategy and Leadership Institute (ASLI) for inviting me here this morning to officiate the opening of the National Conference on National Vision Policy, The Eighth Malaysia Plan & Privatisation. Malaysia believes in planning but Malaysia believes also in implementing plans. The second is more important because planning is meaningless without implementation. On the other hand there can be implementation without planning.

2. Development planning is a Communist idea but despite Malaysia's uncompromising opposition to Communism as an ideology, there was no hesitation about adopting development planning by Malaysia. It is one of the hallmarks of Malaysian pragmatism.

3. Malaysia developed planning to a fine art. Starting with five-year plans Malaysia went on to have 10, 20 and even 30 years long-term perspective plans. These gave Malaysia a vision of the direction and objectives the nation intends to achieve. There is no doubt that these long-term plans helped to position Malaysia in space and time.

4. Perhaps the most ambitious of these plans is Vision 2020. Realising the need for consistency and focus, the common objective of all the periodic five-year plans was identified and enunciated. Simply put the ultimate objective of development is to become a developed country within a given time. The timing is important because it determines the speed with which each five-year plan must be carried out.

5. 2020 was chosen because it gives adequate time for the development of the country to achieve developed country status. It is an ambitious target and obviously it needs at least 30 years to achieve. If a seven per cent growth yearly can be achieved, the GDP can be doubled every 10 years. Roughly as the per capita in 1990 was about 2,000 U.S. Dollars, it should be 4,000 U.S. Dollars by 2000, 8,000 U.S. Dollars by 2010 and 16,000 U.S. Dollars by the end of the 2020 plan. But of course GDP is not the same as per capita GDP.

6. Maybe 16,000 U.S. Dollars in 2020 would not make Malaysia a developed country by the standard of that period, but

Malaysia's definition of a developed country is not based purely on the GDP. It will be based on technological and social achievements of a certain sophistication. These are believed to be achievable.

7. 2020 is also a good number because for optometrists 20/20 denotes totally unimpaired vision, or clear vision. Since we want to have a vision of our future we chose 2020 to indicate that our vision of our future is perfect and clear. We are not heading into the unknown. We should know exactly where we are going and knowing it we should know what we have to do and at what speed we have to do it.

8. In the progress of a nation there will be many variables, many factors which will change over time. In 30 years, in the period between the determination of the target and the achievement of the target anything can happen which would require changes of strategy and directions even. It is better to divide up the period into manageable timespans. And so the 30 years are divided up into six five-year plans, during which the scenario would be more predictable and strategies more likely to be compatible. A five-year development budget is more easily worked out and implemented. But a short-term objective attainable within 10 or 20 years can also help to focus the minds of the people. Thus the New Economic Policy targeted at restructuring the economy to reduce poverty all round and correct the economic imbalances between the races was made the objective of the 20-year long-term perspective plan from 1970 to 1990. This was followed by the National Development Policy for 1991 to 2000 and the National Vision Policy for 2001 to 2010. The five-year plans during these periods must be designed to achieve the objectives of the long-term perspective plans. It sounds a little superfluous to have so many plans within plans but this approach has served Malaysia quite well. We are where we are today because our plans help to focus our attention and implement the development projects to achieve clear-cut short-term and long-term objectives.

9. We have just launched the 10 year Third Outline Perspective Plan for 2001 to 2010 and the five year plan, the eighth in the series for the period 2000 to 2005. The 8th Malaysia Plan is designed to overcome the downturn caused by the economic crisis of 1997 to 1998. For two and half years of the 7th Malaysia Plan, the yearly targets could not be achieved because of the financial crisis. Development projects for that period had to be shelved or slowed down as the Government concentrated on fighting the machinations of the currency and stock market manipulators.

10. Now that the currency and stock market manipulators have been disciplined, Government can focus on economic growth once again. Shelved projects have now been revived and other projects accelerated. Pump-priming on a big scale has been launched using loans from a friendly country.

11. Unfortunately the economic downturn in America has affected growth considerably. Counter-measures have been instituted and it is likely that damage would be minimal.

12. Malaysia is a trading nation. Total trade amounts to 12.5 per cent of the GNP. Since the traditional partners are unable to absorb Malaysia's exports, new markets have to be found. New export products have also to be identified and promoted. Actually Malaysia's list of exportable products is long and varied. It is likely that new markets will take up the slack in the export of traditional products to traditional partners. New markets take time to develop of course but the potential is good. In the tourist industry for example, the increase from certain non-traditional countries has been considerable. We believe we can still attain our vision to become a developed country by 2020.

13. Malaysia's privatisation programme, which began in 1983, has been subjected to continuous criticism right from the beginning. There is a naive belief that privatisation means transferring a Government function to the private sector completely. The Government would have no more responsibility after that. Indeed some assume that the Government can then expect to collect considerable revenue from the assets transferred.

14. Actually privatisation takes many forms, all of which would give some gain to the Government and the nation. With some Latin American countries, privatisation simply means selling Government assets and businesses to foreigners in order to earn foreign exchange, U.S. Dollars mainly, to pay Government foreign debts.

15. In Malaysia privatisation is undertaken in order to take advantage of the private sector management skills to do a better job. The sale to the private sector is not based on the true assets value. Thus the highways were transferred to the private sector not only at nominal cost but Government even provided soft loans for completing the project.

16. This may attract adverse criticism that the Government is helping its cronies to make fat profits. Nothing is further from the truth. The private operators of the completed highways have yet to make profits. Since the concession is

only for 30 years, the concessionaries have only a short period to make a return on their investments.

17. The below cost sale price and the soft loans are meant to reduce the burden of the public. The toll rates are fixed by the Government and these are as low as possible to avoid political repercussions. At these rates the private corporations cannot make a profit if they had to pay for the real assets value and did not get soft loans. It is in order to give them a small margin on the low toll rates that the Government agreed on a low price and soft loans. Clearly the principal beneficiary is the public who have to pay very low toll rates. The toll rates in Malaysia are the lowest in the world for private highways.

18. Our detractors, both local and foreign talk glibly about cronyism and high toll rates. They are welcome to pay for the cost of completing the highways and charge lower rates if they want. I am sure the present concessionaires would be happy to get their money back and pay off their loans.

19. Privatisation has contributed much towards the rapidity of Malaysia's development. If the Government had built infrastructure through Government funding, it would have to wait until sufficient funds are available. It may borrow of course but it cannot borrow beyond its ability to repay. Without privatisation Malaysia's system of expressways, ports, power plants, telecommunication facilities would just not be built.

20. It is true that the people would have to contribute towards the provision of these public amenities, but the amount is really quite insignificant. Government is not abdicating completely its responsibilities. By subsidising the rates of payment through transfers of assets at nominal cost and provision of soft loans, the Government acknowledges its need to return to the people some of the taxes it has collected. Thus at very small cost to the public they are being provided with facilities which are normally available in developed countries only.

21. Privatisation is the antithesis of nationalisation. At one time it was thought that if the Government owns all the means of production then all profits would accrue to the Government. Government would then be able to provide the people with all their needs. No one would be poor.

22. But when capitalists and entrepreneurs are deprived of their businesses due to nationalisation, there will be no one to provide the rich market for profits to be made. There will only be Government employed workers whose purchasing power

cannot be very high. High profit margins would not be acceptable to the workers. On the other hand they would demand higher wages. In the end, Government would earn very little profit from the nationalised means of production. There would not be enough revenue to expand on good infrastructures such as road and communication facilities.

23. It took decades for Governments to realise that nationalisation results in lower efficiency, higher costs and no profitability. It impoverishes people and nations.

24. After seven decades of nationalisation the Socialist Governments finally decided to abandon it and swing 180 degrees to privatisation. Privatisation like nationalisation is not perfect. Carefully managed it can work. But it may fail because the people involved are incompetent or economic downturns such as that brought about by deliberate currency devaluation undermines the business. Privatised companies like other companies can fail and a number of the privatised companies in Malaysia had failed due to the economic turmoil of 1997/1998.

25. Certain quarters including the free-market advocates believe that failed companies should be allowed to just die. In the free-market system only the fit should be allowed to survive. The country should allow the failed companies to be sold off at fire-sale price to whoever wants to buy, including the foreigners.

26. But the Malaysian Government does not believe in washing its hands off the affairs of the companies that it has privatised. There are too many things at stake including the welfare of the workers and public interest. To let these companies die or be sold to people only interested in making a good purchase and making profits at whatever cost, can lead to serious social and economic problems. That is why the Government decided in several instances to help out or to take back the company.

27. Despite these failures the Government still has faith in privatisation. We have learnt a lot about the pitfalls and we are now more careful. Privatisation of the expressways will only be undertaken after the public has been given an opportunity to give their views. If the public is not prepared to pay the subsidised toll rate then the expressway will not be built until the Government has the funds to build a freeway. This will take a long time of course but that is the only choice. Government funds are needed for projects more essential than the convenience of road users.

28. There is much objection to the privatisation of universities and hospitals. People would like to continue enjoying the heavy subsidies absorbed by these institutions. When free medicine and subsidised university education were started the cost to the Government was low. In the early 1900 a bottle of cough mixture cost two cents. Today antibiotic capsules cost as much as 10.00 Ringgit, and has to be taken four times a day for many days. Surgical cost runs into tens of thousands of Ringgit. The cost of university education has increased greatly and it is impossible to raise the pay of the teaching staff without attracting similar demands by the rest of the Government employees.

29. The Government would like to give free medical treatment to Government employees and poor people. But many can and should pay for their medical treatment. Similarly university fees should be paid by those who can afford.

30. The Government does not want to shirk its duty to the people but unless the hospitals and the universities are privatised, there is no way for the Government to retain the doctors and the university staff on Government salary scales. Since the Government cannot raise the salary scale of these people without triggering a demand for unaffordable pay rise for almost one million Government staff, it is likely that the ultra-modern new hospitals and universities which are being built will be without doctors or teaching staff.

31. This is the dilemma faced by the Government. Even developed countries with National Health schemes insist on people paying contributions to the scheme. Malaysia is not a developed country yet medicine is free, or attract nominal charges only.

32. Basically Governments are responsible only for maintaining law and order and the defence of a nation. Over the centuries Governments have been forced to or have seized innumerable public functions. The height was reached when the Communist nationalised every function and tried to manage their people's life from the cradle to the grave. Now the pendulum has swung back and the Governments are surrendering all their functions to the private sector. There is no doubt that in time the pendulum will swing back again and Governments will once again assume responsibility for providing the people with their needs.

33. When the National Vision Policy, or Vision 2020 was formulated Globalisation had not yet become a household word. Today Globalisation looms large in the affairs of our nation. Our vision for 2020 and beyond is and will be much affected by it.

34. The Information and Communication Technology is now driving the world's economy, politic and social affairs. We have to make adjustments for this Information Age, an age where knowledge will play a very great role in the affairs of our nation.

35. Malaysians must prepare themselves for these changes and the dangers as well as the opportunities. The National Vision Policy will have to be modified and modified again and again.

36. We missed the Industrial Revolution and we were left far behind. We must not miss the Information Revolution. We must participate fully in it and we must acquire the skills to make our country as developed as possible in this new age.

37. On this note, I have great pleasure to declare open the National Conference on the National Vision Policy, The Eighth Malaysia Plan and Privatisation.