

Malaysia On Track For 2020 Vision

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Malaysia entered year 2000, the first year of the 21st century and third millennium, determined to achieve its objective of becoming a fully developed country by the year 2020. Some have wondered why 2020 and not some other year. As a doctor I am attracted to the optometrist measurement of vision; 2020 indicates 100 percent good vision in both eyes. Our Vision 2020 for Malaysia implies this clear vision of where we want to go and what we want to be.

Our confidence and determination to achieve this vision is based on our record of development since independence. In the 10 years before the economic turmoil of 1997-1998, we were growing at 8 percent plus, higher than our 7 percent growth target needed to double our per capita income every 10 years for 30 years. Even if growth for the next 10 years averages slightly less than 7 percent, we would still be on target. We think we can grow at that rate barring a major catastrophe.

In addition, we successfully overcame the financial and economic turmoil following the attack by currency traders and short-term stock market speculators. We were strong financially when we were attacked in 1997. Our savings rate has always been high at almost 40 percent of gross domestic product (GDP), while our foreign debts, both public and private, were very low.

When we imposed foreign-exchange control, we succeeded because we had little need to borrow from foreign sources. We borrowed from Japan, of course, but that was necessary to restart some infrastructure projects where we need to import various components. Today, the economy is turned around, with reserves 50 percent higher than prior to the turmoil. We grew by more than 4 percent in 1999 and expect more than 5 percent growth in 2000.

In the recent elections, we retained our two-thirds majority, actually winning 75 percent of the seats. But analysis of the results has shown worrying trends.

The 14-party National Front Coalition has my party, the United Malays National Organization (UMNO), as its core. This party has always had strong support from the indigenous Malays. Whereas the Chinese and Indians supported the Barisan Nasional strongly in this election, Malay support has been very significantly eroded.

Our studies show that the indigenous Malays have now become complacent. They were very far behind the other races in the

early days of independence, owning only 2 percent of the economic wealth of the country, and had very few educated at university level. Their participation in business was minimal and they held only junior posts in the government.

As a result of the New Economic Policy of affirmative action in favor of the indigenous people, they now have 20 percent of economic wealth and many have university qualifications. And besides being in various professions, they own numerous successful businesses ranging from small to medium to very big corporations. They have now become so confident of their own ability that they see no need to be grateful to the government that gave them a head start. Instead they have become critical of the government and agreed with allegations by Western people that it is corrupt, practices cronyism and is not transparent.

Part of this disillusionment with the government and the UMNO in particular is due to the previous deputy prime minister, Ibrahim Anwar, building a personal following in preparation for this attempt to overthrow myself as the president of UMNO and prime minister of the country. His fanatical followers are angry over his removal from government for moral depredation and his conviction by the courts for corrupting police officers. They believe his story that his removal and subsequent trials on various charges were due to a huge conspiracy by party and government leaders to prevent him from becoming prime minister. They therefore turned against the UMNO during the election. Pictures of the black eye that he got because of the alleged beating by the inspector general of police were displayed all over the country and caused great anger.

The Anwar factor together with a vicious campaign by the Pan Malaysian Islamic Party (PAS) that UMNO Malays are not Muslims resulted in defeat of a number of UMNO candidates in marginal seats.

Besides this rather poor performance by UMNO, the success of the New Economic Policy in bringing up the Malays to a higher level of development has also brought about a change in the character of the Malays. They think that they no longer need to work hard as they will always be dominant and will always succeed in Malaysia. They are somewhat like the younger generation of Japanese who are not so dedicated to work or the success of the country. This new attitude will result in the failure of our affirmative action to help the Malays catch up with the other races and they may once again become the deprived in their own country.

The split in the Malay ranks, their new confidence and their lack of dedication to education and work can slow down our progress and make our Vision 2020 unachievable. We now have to devote more time to reawakening the spirit of the early years of independence and to explain away the misconceptions and misunderstandings of the Malays about government policies. For example, we have to explain why we are carrying out big projects. Western critics have accused us of wasting money on the so-called mega projects and the Malays have joined the foreigners in this criticism.

Actually, although the projects are big, they are not mega in terms of irresponsible waste of funds. A small project for a poor country can be considered a waste. But so-called megaprojects in Malaysia are well within our means. If they are wasteful we would be in grave financial trouble. But we are so strong financially that we did not have to run to the International Monetary Fund (IMF) to borrow money during the recent financial crisis. We pulled this country out of the economic recession and financial turmoil using our own financial strength, in spite of negative predictions by world experts. The Chinese and Indian Malaysians understand and appreciate this. But we have to explain this to the Malays, who seem to have more faith in foreigners than in their own people as leaders of government.

Malaysia's 2020 Vision has influenced many countries to have long-term visions of their own. ASEAN, too, has a 2020 Vision, i.e., to become a much more integrated grouping and to develop into an ASEAN free trade area or AFTA. Unfortunately, membership of APEC has undermined ASEAN solidarity. Each ASEAN country seems to have an independent stand as a member of APEC. In fact, commitment to APEC seems to supercede commitment to ASEAN. Perhaps APEC is more glamorous as the world's most powerful and richest country is a member and is represented by its top leaders.

APEC's principal interest is in opening up the markets of member countries, and we know the market potential of China, South Korea and the Southeast Asian countries is huge. But Southeast Asian countries and South Korea have since learned that opening markets pose serious threats. The attacks on the currencies and stock markets by mainly U.S. speculators have raised doubts about the benefits of market opening, globalization and the borderless world. We also find that the IMF is not capable of handling the effects of such attacks. Not only did the countries that were attacked suffer economic recession following the attacks and devaluation of their currencies, but the whole world suffered from a recession. Clearly the IMF cannot be regarded as an effective guardian of the world's finances. Nor can the present financial regime

guarantee that no more attacks will be made by currency traders against the economies of countries in order to rake in profits for themselves.

Today, we are still seeing damaging fluctuations in the exchange rates of many countries brought about by the currency traders. The Japanese yen has appreciated by 20 percent resulting in difficulties for countries buying Japanese goods or paying off yen loans.

Currency trading is said to be 20 times bigger than world trade. Whereas world trade creates businesses, jobs, insurance, freight transportation and a host of other activities, there is nothing to show that currency trading has done anything for anyone else other than the traders and the share holders of the hedge funds. If world trade is 20 times bigger than what it is now we can be sure that the world would be 20 times more prosperous. But currency trading, far from increasing prosperity, has severely impoverished countries and regions, causing millions to lose their jobs, riots and strikes, political and social instability.

The time has come for the world to reconsider the international financial regime. Must we allow currency traders to determine exchange rates or should we find a new mechanism? Interventions by the central bank have been shown to be costly and ineffective. Maybe we should go back to the fixed exchange rate. In the early years of the Breton Woods, exchange rates were fixed and recovery was rapid. Why is it that we are not allowed to even think about fixed exchange rates at all now? Why must we protect the rights of currency traders to abuse the exchange-rate mechanism?

When Malaysia decided to look east, we did so because we admired the way Japan was able to recover from the ravages of war. But today Japan seems unable to overcome its economic problems. We think that the difficulty is due to your too strong commitment to the Western system, including the floating exchange rates that are strongly supported by the United States and is its main beneficiary. Your own system of business, including your lifetime employment, your strong linkages and the strong cooperation between government and business are good and had contributed to your rapid recovery and growth. Now you have suddenly discarded all your systems in order to adopt Western systems. The result is a prolonged recession from which you are only just recovering.

I have traveled to Japan many times and have seen the tremendous progress you have made. But during my last visit I was appalled to see your unemployed people living in makeshift shelters of blue plastic sheets in the cities. This is no

doubt the result of doing away with lifetime employment. Now your corporations are being bought by foreigners and their first action to improve efficiency is to dismiss workers and close down factories. If this is the solution to revive business, surely you can do the sacking yourself.

Perhaps Western business practices are better than Japanese practices, although Japan has become the second- biggest economy in the world through your own system of finance and business. Perhaps you can do better with Western systems. But there is no doubt that by adopting Western practices your economy is not doing so well and so many of your people are unemployed. If you must adopt Western practices shouldn't it be done slowly so as to minimize damage to your economy? It seems to me that you feel guilty about your system that you have to throw it out overnight. Sudden change like this must be destructive even if the change is for the better.

What I see happening today as a result of globalization is an attempt to set up worldwide monopolies of certain businesses by a few giant corporations mainly from the West. In the future there will be at the most five banks, five automotive companies, five hypermarkets, five hotel chains, five restaurant chains and so on, all operating worldwide. All the small-and medium-sized companies in these fields and maybe others too will be absorbed by these Western-owned international giants. These monopolies would, it is claimed, bring about efficiency and thus lower cost through economies of scale. The raw materials the world needs will also be produced by giant mining and plantation companies operating in poor countries, and will be carried by air and sea freighters belonging to giant transportation companies, to be processed and resold throughout the world. Some, of course, will use cheap labor in the poor countries in order to reduce costs.

It is the dream world of the supercapitalists come true. Others will merely work for the capitalists. They will earn more but they will own nothing that they can call their own. Quite obviously the great capitalists will wield immeasurable power. And they will become corrupted as they manipulate governments and international agencies so as to enable them to make more and more money for themselves.

When the Cold War ended with the defeat of communism, it was not democracy that won. It was capitalism with a big capital C. The advent of communism and socialism in the early years of the 20th century forced capitalism to adopt a more human face. Monopolies were broken up and curbed. Today, without the challenge of communism, the true ugliness of capitalism has revealed itself. This time it will not permit any opposition or restriction.

Democracy, the rule of the majority and the concern for the poor and the small must not stand in the way of world-girdling unbridled capitalism. Through the IMF, the World Trade Organization, the international media and the might of the most powerful and richest country on Earth, capitalism will assert its power. Before this juggernaut all must fall. The question is, do we resist now before it is too late or do we wait until, like communism, millions have been sacrificed before we rise in rebellion?

Malaysia is a small, weak country with its many problems. Maybe we are too pessimistic, too fanciful. But our recent bout with the currency traders has made us suspicious and wary of new ideas and the promises made by others.