

The Seminar On Competing In The Globalised World: Becoming A World - Class Player

Marriott Hotel, Putrajaya 9 January 2003

Competition is endemic in human society throughout history. There is the competition between individuals, between societies, between cities and states, between nations and races. The original Olympic Games personifies this competition. It was between the Greek cities as represented by their athletes.

2. But the essence of competition is that the competitors possess certain qualifying qualities. Cities do not compete with villages, nor adult athletes with children. To compete fairly the competitors must belong to distinct categories.

3. In a globalised world we have to compete in order to succeed. But according to present rules of competing, there are no distinct categories. The smallest and poorest nations must compete with the biggest and the richest nations. The smallest local businesses must compete with the multi-national giants. The technologically backward must compete with the technologically advanced.

4. In the competition, rules and regulations are practically disallowed. The only rule is that there should be no rules, no rules about qualifying categories, no rules about the methods used by the competitors. But this is not completely true. While Governments may not restrict and protect, Governments must uphold the rights of the rich and the powerful to literally strangle the poor and the weak. It does not take a genius to see that the dice is loaded against the weak and the poor. They must rely on whatever little competitive advantage that they may have just to survive. But mostly they would lose the competition and they would go under.

5. Perhaps this is not the kind of keynote speech that you'd expect at a forum entitled "Competition in the Globalised World - Becoming a World Class Player". But I believe in calling a spade a spade. The idea about globalisation is fine but the interpretation and the prescription for a globalised world need to be scrutinised closely.

6. I say this because the developed countries did not develop and become as prosperous as they are by practising free trade, borderlessness, deregulation, and non-protectionist policies. What they did when they were as undeveloped as the developing countries of today are was quite different from what we are told is the formula that we must accept in order to become developed.

7. Free trade for example was rejected by the great trading nations of Europe. Instead they divided the world into regions with each monopolising one or two regions. The Spaniards were allocated the Western hemisphere, while the Portuguese took the Eastern hemisphere. Nevertheless the Portuguese conquered Brazil while the Spaniards took the Philippines.

8. The other European countries then were given licences to buccaneer and rob the ships of Spain and Portugal. Using military force they ejected the Spaniards and the Portuguese from strategic locations where they set up what was called trading stations. These were basically fortresses set up in the countries with whom they traded in order to monopolise the trade with these countries. Wars in Europe determine which European country would own which trading fortress.

9. Monopolistic trading companies were set up, invested in by prominent people and backed by their Governments. After setting up the trading stations, companies such as the East India Company, and the Dutch East India Company went on to conquer the countries they were trading with. And so the Indian continent, Burma, and Malaysia became a part of the British Empire while the Dutch with their spice trade colonised what was named as the Dutch East Indies.

10. Other parts of Asia, Africa and South America were also colonised and monopolised. There was no free trade, only exclusive trade by the colonial powers. The colonised countries had no say in the exploitation of their resources.

11. To maximise the profit slave labour was often used. In fact the slave trade was one of the most important contributors to the wealth of these nations.

12. One might say that all these happened long ago and are not relevant today. But the fact still remains that the monopolistic and restrictive, unfree, strictly regulated trade was what enabled these countries to progress from being poor and developing to being rich and developed. Had they practised free trade and open competition it is unlikely that they would progress the way they do.

13. But even the claim that the new regime involves deregulation and free trade is not true. The World Trade Organisation is about imposing what is called Rule-based trading. This is what the developed countries are demanding that everyone complies with. The problem is that the rule, favour the big and the financially rich corporations and discriminates against the small and the poor businesses from the developing countries. So the dice is still loaded against

the poor developing countries. There is no fair competition. Not only must the small business from the developing countries be required to compete with the merged giants from the rich countries, but the rules are against the small and weak. The competition is not within class or categories based on the capabilities of the class, but it is between the strong and the rich (and the technologically advanced) and the weak, poor and backwards. We can all guess as to who will win. But of course the line taken is that the big and the rich will help the poor and small countries and the people to prosper - through FDI and high quality, low- cost products resulting from efficiency and the economies of scale. This may be so but we have seen how many of these giants have fallen. Enron, United Airlines, Global Crossing, Arthur Andersen, the second biggest insurance company in the world and numerous others have all failed, largely through cheating by the management. There is really no guarantee that big means success. In fact the bigger they are the harder they fall and they drag down with them hundreds of other companies and their workers.

14. Big does not mean efficiency and success. And when they are in a position to monopolise it is most likely that they will abuse their power. Since the Governments may not interfere there is no limit to the kind of abuse that they can perpetrate.

15. The globalised world that we have to compete in to become a world class player is not going to be a very orderly world. It is going to be a world in which fair competition is not possible, especially for the small player. They are likely to be swallowed up or to just disappear.

16. So what do we do to try and salvage our small businesses, small in relative terms? Well, we can try to change the interpretation of Globalisation. Is it necessary that borders be widely open all at the same time? Is it necessary that weak countries stop protecting their industries now? Is it necessary that Governments all abstain from supporting their countries' businesses? Is it necessary that business practices be completely standardised? Is it necessary that foreign companies be given national status in every country?

17. If all the developing countries stand together we can prevent the rules in favour of the rich and the strong from being adopted by the WTO. But most developing countries are in no position to oppose the rich countries. They owe money or they need help from the rich and these provide leverage for the rich to break up any concerted attempt by the poor to help themselves. There is therefore not much hope for us to promote the rules of trade which favour us.

18. But we can do something for ourselves if pressure is not brought to bear upon us to cease and desist in carrying out our own policies for self-preservation.

19. Malaysia had followed a strategy that has saved it from going under in a hostile world. Our approach is simple. We try to keep costs in Malaysia low so that our products are competitive but our people enjoy a reasonable standard of living. This we do by having price control and curbing profiteering. The wages are low compared to those of developed countries but somewhat high compared to other developing countries.

20. We keep the Ringgit exchange rate low. Its purchasing power within the country is still largely the same. Indeed in terms of purchasing power it is about the same as one US Dollar in America. So, low wages in Malaysia does not mean low purchasing power. This ensures that low wages does not lower living standards too much. In fact, Malaysians live a comfortable life earning less than one-third the wages of people in developed countries.

21. However imported goods and foreign travel costs more. But this affect only the higher income group. Low income people are not too much affected. Also the Government fixed the prices of essential items like fuel and sugar which helps lower the cost of living.

22. In Malaysia unions and workers understand that high pay is meaningless if the cost of living rises with the pay increase. In some developing countries all workers are millionaires but the money they earn cannot give them a decent living because all goods are priced in tens or hundreds of thousand of the currency unit. Higher wages are only worthwhile if there is no resulting inflation. This can happen when productivity rises higher than wage increases.

23. Besides we are competing against low wage countries with good productivity levels. Any increase in wages without productivity increase will reduce investments, not only by foreign investors but also local investors. With no new jobs being created there will be more unemployment. And a large unemployed population will force wages down.

24. So we must always ensure that wage rises will not make us uncompetitive, raise the cost of living and drive away job-creating investments.

25. Businesses should endeavour to bring down costs. If they examine carefully their cost of production or service they are bound to find cost items which can be reduced. Targeting

a definite percentage for reduction of costs is very effective.

26. Technology is a problem. The rich with their greater expenditure on research and development are bound to be ahead. Buying technology from them would increase costs. But much of the technology is probably non-essential. Motor vehicles of today are over-engineered. We have to find a niche where basic needs are met by our products. In some cases the value can be enhanced without too much increase in costs. This high quality products will fetch prices higher than the cost involved in upgrading quality. The old Asian belief in cheap poor quality products as a way to penetrate markets should be forgotten. Good durable products are more likely to establish a permanent market.

27. World class does not mean top class all the time. There are products which will be so high in quality that they will establish a class by themselves. But they are not for the main market, the big number of average consumers. For the biggest main consumer market competitive pricing for reasonable world class quality would be sufficient.

28. While we try to compete in this unfair trading environment, we must continue to fight for a fairer global trade. It is going to be difficult but that is how life is. We have to resign ourselves to this, work hard and make use of whatever competitive advantage that we may have.

29. I hope your seminar will come up with pointers on how you can become world class players in a globalised world. I wish you every success.