

**SPEECH BY THE HON TUN DR MAHATHIR BIN MOHAMAD
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“Transforming a Nation – The Malaysian Experience”

Distinguished Guests; Ladies and Gentlemen,

Firstly I would like to thank the International Leadership Summit for this invitation to speak on Malaysia's experience in transforming an agricultural country into an industrialised nation where 82% of its exports worth more than 100 billion US dollars a year are made up of manufactured goods.

2. Human societies change over time. Even the most conservative societies change. The difference is in the speed with which the change takes place. And the speed of change can be accelerated through good planning and management.

3. Even on casual examination we must notice that our own society is different from what it was a thousand, a hundred or in many cases a decade ago. Most of the changes follow a certain world trend especially now when communication is easy and fast. We become more and more modern i.e. more like the more advanced and materially successful countries of the world all the time.

4. It would seem that even if we do nothing a nation would change and transform itself. But if we help the process then the transformation would be faster and the direction of the change would be more in keeping with our wishes for our country and our community.

5. Sometimes there would be obstacles to overcome. In the case of Malaysia the obstacle was foreign colonisation of our country. Because of that we were only able to take charge of the transformation of our country after we became independent in 1957, 48 years ago.

6. Under colonial rule we were expected to serve the interest of the metropolitan power. Simply put, they did not want us to develop like they developed but they wanted us to provide the wealth and the material for their development. Malaysia was rich in tin and suitable for large-scale production of spices and rubber. The colonialists exploited them and remitted their profits. Very little accrued to Malaysia as in those days there were no income or corporate taxes.

7. The timber of our forests exceeded the demands of the world in those days. To produce tin and rubber our forests were cleared and burnt. There were no environmentalists then, and no pestering NGOs. Our rich timberland earned us practically nothing.

8. Indian and Chinese coolies were brought in to do the clearing, mine the tin and plant the rubber. Many died of malaria, dysentery and other diseases. But the result was wealth for Britain. Handsome buildings lined the streets of London built with the wealth squeezed from the empire creating jobs and good incomes for the colonisers.

9. Still it must be admitted that Malaysia was transformed under the British. A good administration was set up. Law and order was maintained. Roads, railways, water supply, electricity, primary education and health services were provided, although much of these were to serve the expatriates and the rich urban areas.

10. But the colony was not allowed to manufacture anything that may compete with British exports. Only British goods were allowed in and only British products may be bought by Government employees. This was called Imperial Preference. There was no talk of free trade then. The increase in the income of the people accruing from the development of the country was siphoned back to Britain through the purchase of British goods.

11. To transform the country the first step for the Malaysians was of course to gain independence. In 1957 Malaysia became independent and the destiny of the country was in the hands of the people. The per capita then was less than 300 US Dollars.

12. We can blame the colonisers but that would not get us anywhere. Malaysia decided to take remedial action. The first priority was to balance the wealth between the urban and the rural people. A sustained program of rural development resulted in the rural areas getting practically the same utilities as the urban areas.

13. Initially unemployment was reduced by opening up land for the landless. Settlers were given 10 acres each but the holdings were collectively administered and managed as large estates to maximise efficiency. Today this scheme has 2 million acres under basically one estate management. It is the largest estate in the world. It is reputedly very profitable.

14. But land cannot be found for all the landless and the unemployed. The Government leaders noted that the manufacturing industries, especially the labour intensive industries could create huge numbers of jobs in factories located on small pieces of land. Industrial land was available, the workers were available but Malaysians knew nothing about manufacturing, had no capital, no management skills and no knowledge of the markets.

15. It was necessity which forced us to open the country to foreign investors at a time when foreign investors were being thrown out from other newly independent countries and their holdings nationalised. Bucking the trend is something that Malaysia is to demonstrate often.

16. The foreign investors were made to feel welcome with special incentives. The Government was not interested in collecting taxes from them. The sole interest was the creation of jobs for our people.

17. Very quickly we achieved full employment. But there is a spin-off. Our people developed good skills in manufacturing and management. The earnings were spent in the country. The banks grew. Soon locals were going into manufacturing themselves, financed by the local banks and employing local workers and managers who had developed good skills working for foreign companies.

18. The Government felt it was necessary to boost the industrialisation through an even more business-friendly strategy. The concept of Malaysia Incorporated was introduced in which the public sector (i.e. the Government leaders and officers) work closely with the private sector and the workers unions as if the whole country is one big corporation. Everyone is made to understand that the success and profitability of the businesses would be enjoyed by all – the Government, its employees, the business people and the workers, and the people and country as a whole.

19. Even if it did not galvanise everyone to work extra hard, the feedback from the private sector and the workers help to reduce bureaucratic procedures and delays which in turn render the industries more productive and therefore more competitive. Because of this there was an increasing inflow of foreign investments bringing with them new technologies and industrial products.

20. The Government earns more revenue through the corporate tax of 28%. The share-holders earn more dividends and workers enjoy better pay. And the economy grew, becoming more industrialised all the time.

21. It was clear that industrialisation helped Malaysia grow faster. Agriculture and Malaysian resources cannot contribute as much wealth or create as many jobs. The way forward was clear. Malaysia had to industrialise. If it cannot do it on its own, then it should get foreigners to invest and bring in the expertise.

22. To accelerate the process and to transform the country into an industrialised country faster, we needed to copy those countries which had managed the transformation before us. We would not be able to do everything that they had done. But some of their strategies might be adopted or adapted to our situation.

23. The countries that struck us as good models were Japan, and to some degree South Korea. We had been looking at the European countries which were where industrialisation first took place. We still believe the European model is good. But the Europeans had forgotten how they had managed the transformation. It was too long ago for them. The new industrialising countries of East Asia had undergone the transformation only recently. They still remember the problems and the difficulties and how they overcame them.

24. And so the Malaysian Government adopted the Look East Policy. We still retain the ultimate Western model but we wanted to learn the process of transforming the nation from the Japanese and the Koreans. To our delight we discovered that the industries in these two countries are new and they use more modern technologies. They had improved on the old technologies they had acquired from Europe and America long ago.

25. Two things struck us as the key to the success of these East Asian people and their countries. One is their work ethics and secondly the system they formulated for their industrialisation.

26. Their work ethics are crucial. They are very hard working and very disciplined. The workers were loyal to their companies and the companies looked after their workers from the day of employment until they die. This ethics ensured that they are dedicated and they excel in whatever they do. When they decided that their products must be of world quality, their workers endeavoured in every way to produce perfect products. The Japanese who had been known in the past for shoddy cheap products managed to change their image so that now Japanese products actually set the standard for the world. The workers have unions but they try to avoid disruptive and costly industrial actions.

27. By contrast European management of their workers was confrontational and unfriendly. And consequently their workers were less loyal and less willing to improve to increase their productivity. Very often the worker would go on strike, further reducing productivity. In the end European factories had to close down. We were determined not to follow the European model.

28. We adopted instead the discipline of the Japanese workers by having our key personnel work and train in Japanese factories in Japan. They were taught to be loyal to their employers and this was reciprocated by the employers. It should be noted that with European and American companies, the workers would be the first to be sacked if the company does not do well. But Japanese companies avoid staff reduction. They redeploy them instead.

29. Our workers learnt about “kaizen” where everything has to be improved all the time. They learnt to be just in time, to save cost by doing this, so that there would be no need to hold stock. And many more little things which together result in higher quality and lower cost. They even learn about Japanese culture – the tea ceremony for example – a ceremony that involves restraint, discipline and precision. The ethic developed improved their performances.

30. From the Koreans Malaysian workers learnt about nationalism and the competitive spirit. The Koreans’ main driving force is their desire to do better than the Japanese, the people who had colonised them before. This translates into Malaysia’s need to prove to their former colonisers that we are in no way inferior. It led to the development of the “Malaysia Boleh” or “Malaysia Can” slogan. Anything other people can do, we can do.

31. Once Malaysians believe that they can do what others can do, getting them to invest in industry and new technologies became possible. Today Malaysians train people all over the world in hi-tech industries. They are engaged as CEO's of Multinational Companies operating in other countries. They build infrastructure projects and industrial plants in Malaysia and in foreign countries. In the petroleum industry, Petronas, the national petroleum company is not far behind the oil majors in the breadth and depth of its operations. It is now a Fortune 500 company operating in 36 different countries.

32. Malaysia's present exports to almost 200 countries in the world is worth more than 100 billion US Dollars per annum of which 82% is made up of manufactured goods. The other 18% is made up of rubber, palm oil, petroleum and gas and other agricultural products. Although a substantial percentage of the manufactured exports are produced by foreign-owned companies, more and more are now produced by Malaysian-owned and Malaysian managed companies.

33. By any standard Malaysia can be considered an industrialised country. In the Information Age, Malaysia is quickly adjusting to become a knowledge-based industrial centre. We are now concentrating on the production of scientists, engineers and mathematicians. The target has not been met yet but we feel certain we can produce the educated manpower needed for the Information Age.

34. But the transformation is not confined to the economic bases for growth only. Politically Malaysia has also been transformed. We were a feudal country even during the colonial days. The Malay Sultans had actually signed away their fiefs to the British after the Second World War. But the people rejected this submission to the Imperialist. They entered the political arena and demanded that power be returned to the Malaysians. Instead of rebelling against their rulers they opted for a constitutional Monarchy. The Sultans would remain but political power would be exercised by the people through elected representatives i.e. they opted for a constitutional monarchy and Parliamentary Democracy.

35. The people created a Federation of Malay states with a strong Central Government. The Sultans elect a King every five years but they and the King have no legislative or executive power. The system adopted is similar to that of the United Kingdom.

36. Malaysia does not believe in liberal democracy. It recognises that the main purpose of democracy is to enable Governments to be elected or removed via the ballot box. No revolution or violence would be necessary as the people accept the results of the elections.

37. Democracy does not guarantee good Government but it makes good Government more possible than the old feudal system or dictatorship. I must admit though that when authoritarian rulers decide to do something they can do it much faster. Abuses of power would lead to a "democratic" Government being overthrown and a new Government elected. Fear of not being re-elected forces

the Government to look after the welfare of the people, i.e. the voters, and to keep the country stable and secure and to strive for economic growth.

38. The adoption of democracy by a feudal state through consensus and cooperation rather than through violent revolution is one of the more remarkable achievements of Malaysia. The transformation is something that Malaysians are proud of. We did not have democracy thrust down our throat by foreigners or by local revolutionaries. But the democracy that we practise is real and permanent. It has contributed to our industrialisation.

39. Malaysia is not as successful in the social field. Ours is a multiracial country. Our hope and aspirations are for the three races to be united as Malaysians and to disregard their racial origins. But all three races refuse to forget their original race. Nevertheless they live in harmony, they work together and they play together. They have absorbed each others cultures. The economic disparities between them have been reduced. But they are not yet united and exclusively identified with their present country, Malaysia. Fortunately this failure to be fully united has not affected our industrialisation process.

40. The transformation of Malaysia economically, politically and socially is both a natural and a deliberately planned phenomenon. Numerous factors have contributed towards it. But the most important is the maturity of its people.

41. They believe that sharing is far better than exclusive ownership. They believe that by their willingness to share the country, it would become stable. When the country is stable growth would take place. When growth takes place each one's share would grow in absolute terms. And each share would actually be bigger than the whole wealth of the country at the beginning.

42. On the other hand if anyone tries to take everything for himself, the resultant instability and violence would prevent growth, would even cause shrinkage. Then the owner of everything would find that he has really nothing. The country would be in shambles. There would be no growth and no wealth or good life for anyone. Certainly industrialisation would fail.

43. Malaysia has been independent for 48 years now. In that period of time it has had 11 Elections, 8 Malaysia Economic Plans, 2 Industrial Master Plans and a Long Term Perspective Plan. Finally in 1991 it launched Vision 2020, a vision of making Malaysia a developed industrialised country by 2020. The going has been tough but Insyallah we should be able to transform this third world country into a developed country by 2020.

Thank you.
