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WHITHER MALAYSIA

Change in human society is unavoidable. Much of this change is beyond control. But certain changes can be prevented or they can be directed. Thus certain traditions and values may be consciously preserved while those changes which are permitted to take place can be set in a desired direction.

2. The Malaysian society is one of those societies which had undergone and is undergoing rapid changes. Whereas prior to independence the changes were not properly regulated, and certainly they could not be directed by Malaysians, the period since independence in 1957 has seen numerous attempts to direct changes in order to maximise benefit for the Malaysian society and nation. The Malaysian Development Plans and the various policies, particularly the policy on education were all direct attempts at ensuring that the changes that take place follow a predetermined course.

3. Certain years during the period of independence have been more remarkable in determining changes than others. Thus the launching of the Second Malaya Plan marked an attempt to bring the rural areas and its populace within the mainstream of the nation's development. Then came the riots of May 1969 and the soul searching that followed. As a result, in 1970, the New Economic Policy (NEP) was born with the twin objectives of eradicating poverty irrespective of race and the restructuring of society so as to remove the identification of race with economic functions.

4. Much has been done since the formulation of the NEP which have had a profound effect on the changes in Malaysian society. Absolute poverty has never been a problem in Malaysia but relative poverty abound. The NEP has achieved much to reduce relative poverty. Education and training has made vertical mobility an instrument for both poverty eradication and restructuring. A variety of Government schemes and institutions has improved the lot of the peasant farmers, petty traders, and the unskilled and semi-skilled

workers. The bumiputeras, or the indigenous people, have become more urbanised, have entered the mainstream of a modern monetised economy and have gained access to the abundant wealth of the country. Equitability has been largely achieved by a system of share ownership that is pioneered by the biggest Unit Trust in the world, the National Equity Corporation (PNB). Any bumiputera who cares to save ten ringgit can own at least a hundred ringgit shares in the huge plantation, mining, banking and trading companies in the country. The Unit Trust scheme was adopted in order that public (Government) owned enterprises do not benefit only those bumiputeras who have money. A limit of 50,000 shares per person ensures that domination of the trust by a few rich investors will not take place.

5. The NEP can be said to have changed the scene in Malaysia almost completely. No longer are the towns largely Chinese, and the kampungs largely Malays and other indigenous people, but more and more the urban areas are representative of the population structure of the nation.

6. Obviously not everything is satisfactory, nor all the targets met. There is much to criticize. Some will say that the bumiputeras are still poor compared to the non-bumiputeras, while others will complain that the achievement so far has focussed on material wealth. Like all criticisms they have elements of truth, but by any standard, the changes achieved have been remarkable. It is rendered even more remarkable because it is achieved under stable conditions, in a democratic context. Certainly, few newly independent countries have achieved this much without resorting to totalitarian styles and traumatic upheavels.

7. The question now is whether the need is merely to implement the NEP or to do something more so that not only will the twin aims be achieved but the achievement will become less reversible. In other words, the basic reasons or causes for the economic disparities between the races, and the inability of Malaysia up to now to be a developed nation must be studied, understood, and where necessary, corrected. Development plans per se do not result in development. Even their vigorous implementation cannot bring about development. Something more is needed. And it is that something more that the Malaysian Government is after now. If that something is not to be found at home, then Malaysia must look abroad. And it is in searching for a foreign model that Malaysia decided that it must Look East.

8. In the days when communication was poor, societies wishing to adopt foreign systems were able to be more selective. The people as a whole were not knowledgeable of conditions in the model societies to be able to adopt values and systems on their own. With modern communication facilities, controlled and selective adoption of systems or values is less easy. The result is that in the developing

countries values are absorbed which are in fact detrimental to them.

9. Thus there are some developing countries which have adopted wholesale some of the systems of the advanced countries such as the trade union system and philosophy. As they are developing countries and do not possess either the necessary infrastructure or the vast resources and expertise, these countries are often placed in a disadvantageous position.

10. But as the values and systems are adopted by the people without direction from the policy makers there is no way for them to be selective. The result of learning from foreign models can therefore be quite distressing.

11. Indeed rapid instant communication has resulted in more of the deleterious values being adopted than the good ones. It follows that left to themselves the peoples of developing countries are more likely to subvert their own future than promote their well-being.

12. Governments of developing countries must therefore try as best they can to influence the selection of systems and values of the people. The most vociferous objections will, of course, come from the people of certain developed countries. They are likely to accuse such Government leadership as denying freedom for the people. Basic to their attitude is their fear that, firstly, the developing countries may no longer be the market for the simple manufactured products that they like to dump, and secondly, that these countries might actually invade and compete with them in their own markets. Japan must be very familiar with this attitude. Resistance to Japanese penetration of the traditional markets of the old developed countries has never abated.

13. When the Government of Malaysia decided to give some guidance to the people as to what they should copy, it was not too difficult for the choice to be made. The rags to riches story of Japan is well known and so is the story of South Korea. Malaysia may be said to be in the 'rags' stage that Japan found itself in the years immediately after the Pacific War. Malaysia cannot obviously go through the slow evolution that characterised European development. The development must be rapid, indeed to a certain extent even more rapid than that of Japan.

14. When the Look East Policy was adopted, although a study was made, it is possible that some areas were overlooked. Nevertheless it was realised that looking to Japan, for example, does not mean doing everything the Japanese way. Indeed it would be quite impossible to do so because of a variety of reasons, among which is the time available.

15. The most important thing that seems to have contributed to Japan's success is the work ethics. Some Japanese

academics, and even journalists, may dispute the kind of perception of Japanese work ethics that Malaysians have. But there can be little doubt that Japanese work ethics differ greatly from those of the West; certainly those of Britain and Australia.

16. The idea that something may be had for nothing is very much the basis of the present attitude towards work that is found in Western countries. Hence demands are made for better pay and benefits, without relating this to productivity and better earnings for the establishment. In the days when empires were available as captive markets such an attitude may not be too harmful. But in these days no country has a captive market nor does any country have a monopoly of the technologies of manufacturing. Consequently, increasing wages and benefits without commensurate productivity can only result in being priced out of the market. The fact is that nothing is free in this world or the next. Everything requires investments. In the words of a former Malaysian Minister of Finance "If you want something free then you must pay for it". That payment may be in the form of hard work and greater productivity. If not then economic decline will be the price.

17. Hence the Look East policy is initially and largely concerned with learning and practising Japanese and Korean work ethics. Firstly, we want Malaysians to work as hard as the Japanese. Lack of skills can be made up, at least partly, by a willingness to work hard. It is well known that practice makes perfect. Working hard means more frequent practice. Eventually skills must come along.

18. In business great value is attached to fulfilling undertakings. If goods or services are promised at a certain date of delivery it is important that this delivery date is kept. Working normal hours, or worse still, working less than the normal hours will certainly not help to meet delivery dates. Hence working hard means achieving targets at no increase in cost or even at lower cost. In the West work may be purposely delayed in order to get some overtime work with double wages.

19. Working hard also does not mean shoddy or poor quality work. The Japanese used to be known the world over for poor quality. But today the story is totally different. Japanese products are known for their quality. Basically the good quality is due to hard work, a willingness to check and counter-check every item painstakingly in order to ensure the best quality.

20. The virtues of hard work are many. We believe that the Japanese are imbued with these virtues. Even Japanese trade unions are conscious of the need to work hard. Malaysians cannot be wrong if they conclude that the main reason for the Japanese success story is the willingness to work hard. Malaysians cannot be derided if they wish to copy Japanese

work ethics in the belief that they will be, if not equally successful, at least better off than they are now.

21. Japanese work ethics of course do not end with hard work. The democracy of the Japanese business organisation is quite unique. Differences in status between the executives and the workers are not emphasised. They wear the same uniforms and the executives tend to spend more time on the shop floor than in their offices.

22. When decisions are to be made every one is consulted. Even junior executives seem to have a say. It is not only the board which decides. To a certain extent this slows down decision making but it is probably compensated by the commitment of the personnel to the final decision when it is made.

23. The cradle to grave type of relationship within Japanese companies, at least the big ones, is another distinctive feature that Malaysians regard as worthy of study and possibly emulated. Large Japanese companies are paternalistic towards their employees. This is reciprocated by workers being more loyal to the companies.

24. We believe that the Japanese work ethics is not a traditional phenomenon. It is a cultivated value system. Of course traditional Japanese values play a role, an important role. But in the past the system was quite different. Thus, making quality almost a point of honour certainly did not exist prior to the Pacific War when Japanese goods were synonymous with shoddiness.

25. Now, if the Japanese work ethics is what has contributed to the economic and commercial success of post-war Japan, and if this work ethics could be acquired and developed artificially, it follows that Malaysians too can shape and develop their own work ethics. This is precisely what the Look East Policy is all about.

26. But, of course, there are other aspects of the Japanese economic miracle that are worthy of study and possible emulation. Although Malaysia is resource rich and endowed with considerable areas of land suitable for the cultivation of a variety of profitable agricultural produce, there is no reason why there should not be manufacturing industries. How Japan entered into manufacturing and develop it until it can compete with the industrial West is also worthy of study and emulation.

27. Then there is the highly successful Japanese marketing strategies. It is now claimed that sogo-shoshas are not profitable but there is no doubt that in the early days it was the sogo-soshas which opened up trade on a large scale and promoted Japanese goods. How they did this is again worthy of study and emulation.

28. One of the accusations made by competing western companies is that Japanese companies seem to be indistinguishable from the Japanese Government. They felt that they were up against the whole Japanese nation when competing with Japanese companies. Hence, the coinage of the term "Japan Incorporated", meaning the whole of the Japanese nation seems to be incorporated into one company which then challenges the individualistic and mutually competing industries of the West. Of course, this is not completely true. Japanese companies do compete with each other when marketing goods or bidding for contracts. Indeed Japanese companies have joined hands with non-Japanese companies to compete against other Japanese companies. But, by and large, the Japanese companies are backed by the Japanese Government and workers whenever they compete with non-Japanese companies abroad. At home a large degree of protection is afforded Japanese companies which make it extremely difficult for foreign manufacturers to penetrate Japanese markets. The impression that there is a Japan Incorporated is thus quite justified.

29. But to Malaysia which is quite incapable of competing with the Japanese in any case, the concept of Japan Incorporated is interesting as a device for the development of the Malaysian economy. Historically the Government regarded itself as the opponent of the private sector. They see privately owned companies as avaricious and prone to all sorts of extra legal activities at the expense of the Government, the people and the country. There is some justification for this. The fact that in the past most businesses in Malaysia were individually owned and antagonistic towards government policies merely reinforces the antagonism of Government officials.

30. Even when the Government understood the need, and did give protection for Malaysian industries, this was done with reluctance and a great deal of suspicion. Officials adopt a very officious attitude towards the private sector at all times. Clearly no one could appreciate that the national interest is what suffers when businesses are unduly obstructed by Government red-tape.

31. On the other hand the private sector too felt antagonistic towards the Government and in particular Government officials. They assumed that the Government is out to frustrate them, to obstruct their businesses and to make their enterprises unprofitable. The officials as agents of the Government are regarded with veiled hostility. The only time when the businessmen seemed friendly is when he wishes to buy an official. Otherwise the relationship is one of unconcealed confrontation.

32. The private sector consequently takes a dim view of all Government policies. No matter what the reasons are, Government policies are regarded as unnecessary imposition calculated to make life more difficult for the business

community. The genuineness of the Government's efforts to create an atmosphere conducive to stability which must benefit business as a whole is questioned or rejected offhand.

33. Needless to say the officiousness of officials and the distrust of the Government and the officials by the business community do not contribute towards the kind of economic growth that a developing country like Malaysia needs. To lubricate and stimulate that growth, both the public and private sectors, must contribute and cooperate in facilitating economic activity.

34. In Malaysia there is an additional problem. Unlike Japan, Malaysia is multi-racial. Worse still, the different races are not equally well developed economically. Thus the Malays are largely peasant farmers in the rural areas, the Indians work and live on large rubber estates, while the Chinese are traders and entrepreneurs living in urbanised communities.

35. It is well known that class disparity often leads to serious confrontation. Indeed it is class division that gave rise to communist and socialist ideologies and the bloody revolutions in many European and eastern countries. But when you have in addition to class differences, a complementary and reinforcing racial difference, then the potential for conflicts and clashes would be even greater. And, of course, differences and class cum racial tensions do not contribute to a smooth economic growth.

36. In the case of Malaysia the first step that was taken was to eliminate the identification of race with economic function. This means that conscious efforts have to be made to ensure that all occupations at all levels have proportionate representation by all races. In other words, there should be as many Malays and Indians in the urban centres as there are Chinese. The races must be thoroughly and evenly mixed. Economic prosperity in particular should not be confined to one race only.

37. The New Economic Policy's 20 year Perspective Plan which was launched in 1970 had this objective. In the 13 years that this Plan was implemented a fair degree of success has been achieved. Today Malaysian towns and cities do not look like exclusively Chinese towns any longer. Today there are large and efficient companies run by the indigenous people, the bumiputeras, or sons of the soil. There are also a number of large funds that belong to bumiputeras that can be invested so that the bumiputera share of equity is maintained. In addition, the Federal Government and the State Governments set up a number of corporations to represent bumiputeras in various enterprises.

38. Consequently the private sector is now more

representative of the different communities than before. The Malaysia Incorporated concept, wherein the Government help the private sector, would therefore benefit not only the Chinese who previously controlled that sector but all the communities. If the Malaysia Incorporated concept and Privatisation was not acceptable before, it was partly because they would only increase the disparities between the races that had been a feature of Malaysia in the past. Nevertheless, as the restructuring of the economic configuration in Malaysia is not yet completed, the Government will have to be very vigilant that the Malaysia Incorporated concept and Privatisation do not stir up racial tension.

39. The Look East Policy and the desire to copy from Japan is clearly not a blank cheque. Malaysia wants to learn from Japan but it has to be selective. The socio-political and cultural differences between Japan and Malaysia must always be borne in mind. Economic growth and development are not the sole determinants. More important than anything else is the racial harmony and political stability of the country.

40. We in Malaysia believe that we have succeeded more than anyone else in achieving racial harmony, or at least, in reducing racial antagonism to manageable levels. Since independence in 1957 we have had only one major racial clash. That too was controlled within a period of just over a year. Since then the stability is palpable. Malaysia has in fact developed at a much more rapid pace after the riots of 1969 than before. This is not to say that the riots were necessary. But it did demonstrate to all the races in Malaysia the folly of allowing narrow racialism to take over. Since the riots, pragmatism has largely won the day. Every race has learnt that in Malaysia no single race can have all that it wants for itself.

41. Indeed, Malaysia can be regarded as doing well only when everyone, every race, is fairly unhappy. Should one particular racial group be very satisfied and happy, it could only mean that their wishes have been catered for at the expense of the other races. If this should happen, sooner or later, there is bound to be racial clashes, political instability and economic disruption.

42. It is because of this need to balance the wellbeing of the different races in Malaysia, and prevent confrontation and racial disturbances that policies for Malaysia's development must be carefully formulated and implemented. The timing of these policies are also extremely crucial.

43. The Look East, Malaysia Incorporated and privatisation policies and concepts could not have been introduced earlier. They would be almost entirely unacceptable to the deprived indigeneous people. But even now these policies must be prudently implemented. Foreigners must appreciate that they are dealing with a sensitive multi-racial society.

If they are required to conform to certain non-economic requirements in their economic involvement in Malaysia, it is really for their own good. The economy of the nation, any nation, cannot prosper so long as there are civil and political upheavals.

44. There is a price to be paid for everything. In the case of Malaysia, the price of stability is a somewhat slower economic development. In the final analysis this is a small price to pay.

45. Hence changes in Malaysia must be carefully planned and timed. It is not a matter of issuing an edict. Rather it is one of cautious introduction and clarification of policies and their implementation. But, God willing, in the end the target will be achieved.

46. These are the changes that are taking place in Malaysia. They are not quite spontaneous. They are the result of fairly carefully thought out planning. Probably they are not perfect. But then no planning is absolutely perfect. They will have to be corrected as we go along. But it is important that everyone, including foreigners, understand and are guided by them. Then and then only can a degree of success be achieved.