

SPEECH BY: DATO' SERI DR. MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: AT THE SEMINAR ON "FRAMEWORK FOR MALAYSIA INCORPORATED
AND PRIVATIZATION TOWARDS NATIONAL PRODUCTIVITY"

VENUE: NEW AUDITOURIUM, DEWAN BANDARAYA, KUALA LUMPUR

DATE: 10 OCT 1983

TIME:

Saudara Pengerusi Seminar;
Dif-Dif Kehormat;
Tuan-tuan dan Puan-puan sekalian,

Saya mengucapkan terima kasih kepada penganjur Seminar kerana menjemput saya untuk memberi ucapan permulaan, atau Key-Note Address di majlis ini. Pada pendapat saya tajuk Seminar ini adalah amat sesuai untuk dibincangkan terus menerus oleh semua peringkat pengurus dan para pemimpin masyarakat pada hari ini. Konsep Persyarikatan Malaysia atau 'Malaysia Incorporated' dan Perswastaan atau 'Privatization' sejak saya ketengahkan tidak lama dulu, sudah menjadi tajuk perbincangan yang hangat. Bagi saya perbincangan yang cuba mencungkil "pros and cons" serta aspek-aspek ke arah menjayakan konsep dan dasar ini adalah sangat baik untuk negara kita. Tetapi tidak baiknya ialah apabila perkara-perkara negatif ditinggalkan semata-mata untuk menenggelamkan aspek-aspek positif. Dan satu perkara yang mendukacitakan ialah masih ada pihak yang salah tafsir dan salah faham tentang konsep-konsep ini. Ini bukan sahaja boleh merugikan tetapi merbahaya.

2. Oleh itu, pada pagi ini saya akan menghuraikan lagi beberapa aspek konsep-konsep ini serta tindakan yang perlu diambil untuk melaksanakannya dengan berjaya. Tidak ada konsep yang boleh berjaya dengan sendirinya. Berjaya tidaknya sesuatu konsep, atau dasar mahupun program amat bergantung kepada cara kita berusaha untuk melaksana dan menjayakannya. Oleh kerana terdapat ramai peserta dan pemerhati dari luar negeri dalam Seminar ini, saya akan meneruskan ucapan saya dalam Bahasa Inggeris.

Ladies & Gentlemen,

3. As I've stated earlier in Bahasa, it is a pleasure for me to be given the opportunity this morning to deliver a key-note address in this Seminar. The Malaysia Incorporated and Privatization concepts have indeed sparked off a tremendous amount of interest and enthusiasm in the nation and this indeed is a very good sign. To me, it indicates that the nation is ready for new thoughts and new ventures

in approaching the task of nation-building, ready to discard the old and tried ideas and to seek new and more challenging ones. This is very encouraging. But there is still some amount of misunderstanding and misinterpretation over these concepts. Such misunderstanding must be stamped out before any false apprehension dampens the fervour of the new hope and confidence that they generate.

4. Let me begin by going over some of the things I've already said in the past in regard to Malaysia Incorporated and Privatization. Firstly, the Malaysia Incorporated concept should not in any way be construed as a move to make Malaysia a Company with me as the Chairman or Managing Director. A sovereign state cannot be a business Company. It can only be run like a Company with certain divisions responsible for production, sales and marketing, others responsible for research and promotion, and yet others for providing supporting and ancillary services. In a nation, the private sector forms the commercial and economic arm of the national enterprise, while Government lays down the major policy framework and direction and provides the necessary services. Thus, the Government becomes more of the service arm of the enterprise. The Malaysia Incorporated concept, then, requires that the economic and service arms of the Company work in full cooperation for the progress and prosperity of the Company, i.e. the nation.

5. The Malaysia Incorporated concept, therefore, requires that the private and public sectors see themselves as sharing the same fate and destiny as partners, shareholders

and workers within the same Company, working hard to achieve

a common goal, i.e. the growth prosperity and well-being of

the Company. The Company will only prosper if its

commercial and economic arm, i.e. the private sector, does its best to promote production, marketing, sales, etc, and optimize the returns to investment. It is from these gains that the service arm of the Company, i.e. the public sector, can be maintained and developed, to provide and generate all the necessary policy and service support. The more the gains that the Company can acquire, therefore, the more and better is the support services that can be provided.

6. Secondly, the Malaysia Incorporated concept means not only full cooperation between the private and the public sectors, but also a joint responsibility for the welfare of all workers, i.e. the citizens of the nation. The economic arm of the Company cannot be concerned only with the promotion of its commercial and business activities in order to maximize returns to investment. It must also consider the human and social needs of the workers, their rights and privileges as shareholders and workers, and their dignity as

members of a progressive society. While the service arm of the Company will continue to remain primarily responsible for these matters, the commercial and economic arm must constantly be sensitive to this social responsibility .

Only a proper balance between fulfilment of the economic and social needs of all the shareholders and workers in the Company will ensure continued stability and sustained progress.

7. Finally, under the Malaysian Incorporated concept, there is no question of one sector having to do more for the nation while the other sector can sit back and relax. Both the private and the public sectors, will face added responsibilities and challenges. Mutual understanding,

cooperation, trust and confidence for each other will become

the basic ingredients for success. Without satisfying these

basic requirements through mutual adjustment of our management attitude and philosophy, we will never be able to translate the Malaysia Incorporated concept into a meaningful and rewarding reality.

8. Let me elaborate on these requirements. The private sector as the economic arm of the Company will be required to do more than what it has done so far. Firstly, it has to

understand the economic conditions of the Company, i.e. the

nation, in a more comprehensive manner, placing the common goal and interest above the individual concern of the subsidiaries, i.e. the various companies and firms which constitute the private sector. Such an understanding requires that all private sector managers be able to think in terms of overall private sector achievements or lack of

achievement and not in terms of their own individual

progress or success. They now become part of a bigger

corporation, i.e. Malaysia Incorporated. Any narrow individual interest pursued for one's own interest only, would militate against the over-riding corporate goals. Such thinking and action must now be minimized and ultimately replaced by a progressive and positive national

corporate thinking or philosophy.

9. Secondly, the national corporate philosophy must be

translated into proper action guidelines that are to become what can be called the national enterprise on business or

code of ethics. In such a code, subsidiaries must be fair
and directed at mutual enhancement rather than mutual
debasement and destruction. The smaller businessmen and
newcomers must be given a chance to catch up and become
full-fledge partners rather than be strangled to death. It
must be remembered that under the national corporate
philosophy, a bigger number of partners will lead to a
greater command of resources and opportunities, greater
strength and resilience, and a better chance of making
inroads into the world market. The days when individual
firms can penetrate the world market are over. As shown by
the multinational corporations of the developed countries,
only a nationally-backed enterprise can get into the
mainstream of the global market and deal effectively with
the forces of international competition and national
protectionism. The Malaysia Incorporated concept will be
directed at providing this national back-up through the
national corporate philosophy.

9. Thirdly, under the Malaysia Incorporated concept, the
Government bureaucracy now becomes the policy and service
arm of the national corporation, i.e. Malaysia. It not only
acquires the responsibility of giving all the necessary
cooperation to enable the private sector to expand its
economic and commercial activities, but it has to provide
the support and active guidance for such expansion within
the framework of the national corporate philosophy. It will
have to plan, provide the data for trade and commercial
activities on a global scale, identify the weaknesses of the
world supply and demand factors where Malaysia can come in
with all its strength and potentials, guide the economic arm
of the national corporation to move into new areas of
concern, and give all the necessary back-up support through
international trade negotiations and agreements to ensure a
successful entry into new international economic ventures.
With the Malaysia Incorporated concept, the bureaucracy will
become not only a partner, but an active promoter of
international trade and commercial undertakings. This role
must now be assumed by the bureaucracy in general and
certain units in our Government in particular.

10. Hence, the Malaysia Incorporated concept holds many
challenges for both the private and public sector managers.
It is not a simple case of requiring the private sector to

give more support and cooperation to the public sector, but of becoming an active partner in formulating and implementing a national corporate philosophy and strategy for action. The private sector managers have no less an onerous role to play in addition to what they have successfully undertaken this far. They must now think of themselves as the national corporate strategists, embarking on a plan to capture the world market. The Japanese managers underwent this metamorphosis a few decades ago.

It is this metamorphosis which enabled Toyota to grow from small textile manufacturer into a fierce competitor to General Motors; Hitachi from an electrical equipment repair shop into a giant manufacturer of electrical and electronic appliances, and YKK from making zippers into a multi-million dollar industrial conglomerate. It is this metamorphosis that we must all undergo now and I'm sure that the Malaysia Incorporated concept can help us to achieve this in quick time. We do not have decades on our hand. The change must be made quickly and effectively. be considered as a second prong towards promoting a national corporate philosophy and strategy for Malaysia's new era of economic development.

12. As I have explained, Privatization is the opposite of nationalization. It implies that certain services and economic enterprises now managed by the Government will, where appropriate, be hived away to the private sector. The need to do this hinges on three basic conditions viz:

- i) where the services provided are not in keeping with the requirements and expectations of the public;
- ii) where the cost involved in either providing the services or running the enterprise is too high and there's insufficient returns to the Government; and
- iii) where the private sector organization are already mature and capable of taking over some of the economic and social responsibilities of the Government as a partner in the task of nation-building and promoting the welfare of the national corporation or Malaysia Incorporated.

13. Again, Privatization should not be construed as an opportunity for the private sector to take over some of the more lucrative aspects of public management and public enterprises. Government is also a custodian of the public interest and cannot relinquish whatever business that is already providing direct benefits to the public. We are concerned with those services and enterprises that can be managed in a better and more profitable way by the private sector, without jeopardizing the availability and quality of the service or discriminating between the rich and the poor. Any service that is to be privatized must continue to be accessible to all while any public enterprise that is to be privatized must not allow for the promotion of individual

greed and gain through exploitation of the public.

14. As I have indicated earlier, Privatization can be considered as a second prong to the promotion of a national corporate philosophy and strategy since it should support and reinforce the Malaysia Incorporated concept. Like the Malaysia Incorporated concept, it brings forth additional responsibilities and challenges to the private and public sectors alike. This can be seen from several perspectives.

15. Firstly, hiving away the service or the enterprise to

the private sector means that we expect the private sector managers to be able to handle them more effectively, efficiently and with some tangible profits. This makes a maximum demand on the capacity and capability of the private sector to turn high-cost and low-return public services and

economic endeavours into viable business undertakings with

profits to share. Thus, Privatization is not for the

"get-rich-quick" entrepreneurial mentality but for the very committed and brave, dependable and service-oriented private organizations. You cannot go into it hoping to find the proverbial "pot of gold at the end of the rainbow". You have to create the rainbow in order to brighten up the national economic scene and reap the harvest after the attention of investors have been caught and their resources are thrown at your disposal.

16. The metaphor I use is not without a purpose. Many of the areas of Privatization which you have speculated on, based on the many hints made by Government, have to do with improving the services and the infrastructural facilities for industrial development. For so long as these facilities are inadequate and not of the quality required for rapid industrialization no economic miracle as experienced by countries such as Japan will take place. This applies to the telecommunications system, the mass media, the transportation system, and various other services which give the colour of modern living and technological sophistication

All these infrastructural facilities cost a lot of money to provide. They require a lot of capital and you cannot depend on the Government alone to provide them. You have to become an effective partner and an investor in their development. Your pot of gold comes after the rainbow begins to shine in all its glorious colours!

17. Secondly, Privatization cannot be undertaken as a

choice between various services or enterprises that are going on "sale". It is not demands for, at a "fair" price, and satisfying the public demands in terms of quantity and

quality as a company would its customers. Any Government, as you all know, can only satisfy the basic human and social needs of a society, to provide the basic amenities, and ensure that all citizens have access to such basic needs. Thus, it can never cope with the more sophisticated demands, to meet the highest standard of comfort and excellence in life. It is in meeting this ever-rising demand that the private sector has to play its role. While profit-making has to be a major concern, for no company can continue to exist without making profits, the demand for sophistication and excellence must be met at a cost that the public can bear. It is the expertise of the private sector in catering for such demand that makes Privatization desirable and appropriate. Since that demand applies to all forms of services and social needs, the private sector cannot choose some and ignore the rest. Those services that are not economically viable and promising now, should be made so through your expertise. The is the challenge and therein lies the reward once it is done.

18. Finally, Privatization does not mean that Government

and the bureaucracy washes its hand clean of a responsibility after it is taken over by the private sector. The accountability for any public services or functions hived away to the private sector remains with the Government. The Government remains accountable to the public and must, therefore, continue to take the responsibility for seeing to it that Privatization brings out all the advantages of such a move but with a minimum amount of disadvantages. Such disadvantages include a break in the continuity of the services concerned, a possible rise in costs and possible gaps in coverage at an early stage of Privatization. The private sector must be aware of this and must be able to work it out with the Government so that the disadvantages will remain at a minimum level. Otherwise, Privatization will become abortive at the very beginning of the exercise.

19. Other issues that the Government will face include the redeployment of its staff after certain services or enterprises are privatized, supervising, and coordinating whatever work remains to be done in order that they may not be neglected, in addition to ensuring proper guidance and maintenance of standards. The private sector cannot, therefore, ignore the role and responsibilities that Government must continue to bear. Hence, Privatization must be maintained in stages, both in terms of the number of services to be privatized and the stages of takeover. Both must first learn to work together, understand each other's role and responsibilities and keep adjusting to each other's needs and requirements. Privatization is a new experience and both sectors have much to learn from each other in coping with the new.

Ladies and Gentlemen:

20. I have gone into various aspects of the needs and requirements for Malaysia Incorporated and Privatization, the responsibilities and challenges facing both the private and public sector managers, and the common awareness that must be developed in order to make them work.

21. All that needs to be said in conclusion is that the Malaysia Incorporated and Privatization concepts call for all of us to start formulating and adopting a common

national corporate philosophy and strategy for action. The

time has come for all managers in the private sector to stop thinking of progress and development in terms of what their own companies and firms intend to do. All must now start thinking in terms of working as a national corporate body

with Malaysia as the parent company and your own companies as subsidiaries. We need to capture the international market on a global scale and no one firm or company alone can achieve this individually. We have to do it as a nation. The Government is ready to move in this direction. My question is: Are you all ready to do the same?

22. The problems to be encountered will be many. But no problem is as big as the one involving ourselves. We have so far tried to and will continue in our efforts to let the rich and powerful nations of the world allow us to become an equal partner in development. We want trade, not aid. But

a whole series of trade and tariff protection still stand between us and the global market. We have to start chipping away at these barriers by re-examining our efforts at the production of processed, high value-added goods produced from the raw materials that we have. We have to let quality

and comparative prices speak on our behalf as the Japanese

had done in terms of promoting their industrial development. I believe firmly that the Malaysia Incorporated and Privatization concepts will enable us to do this if we are all prepared to play our role in implementing the concepts effectively and efficiently as a national corporate body. Let's us do just that.

22. With this words I have much pleasure in declaring this Seminar open.