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" STATE OF GOVERNANCE "

I am indeed honoured to be invited again to address this distinguished Biennial Conference of the Commonwealth Association for Public Administration and Management (CAPAM). I would like to thank CAPAM for giving Malaysia the privilege of hosting this conference this time. Since this conference precedes the 16th Commonwealth Games also hosted by Malaysia, let me take this opportunity to extend a very warm welcome to those of you who will be staying on to watch the 16th Commonwealth Games. It is a pleasant coincidence that the inaugural conference of CAPAM in Canada in 1994 was held at the same time Canada hosted the 15th Commonwealth Games.

2. Two years ago when I addressed this gathering of distinguished public administrators in Malta, the theme was 'The New Public Administration: Global Challenges -- Local Solutions'. This time it is 'The New Public Administration: Moving Into the 21st Century', a theme most relevant and timely as we approach the new century and millennium.

3. The 21st Century will be a century characterised by electronic communities in a globalised world. We in Asia have already had a foretaste of what is to come and are still reeling from the effects of sampling a globalised international market in which massive amounts of funds can and will be moved from country to country and from continent to continent with such ease and speed that reaction time is reduced to zero. Thinking is rendered anachronistic and obviously planning for the future is quite impossible. The gut has taken over from the brain.

4. Besides financial capital, the 21st Century will witness similar cross-border movements of other economic factors, such as workers and professionals. The use of electronic communication technologies may allow workers to reside in one country and work in another. But eventually they will move from country to country in a borderless world. There will be no single-ethnic country. All will be multi-racial like Malaysia. The cosy insulated single-

ethnic nations must learn to adjust to rainbow coloured polyglot populations.

5. Until we form that amalgam the weak and the disadvantaged will be pitted against the strong and the powerful. If developing countries are to survive at all and they are to be given the fundamental right to develop and aspire to attain developed status, new rules and codes of conduct for all participants must be formulated and duly enforced. The law of the jungle does not fit into the framework of good governance. Therefore, the architecture of governance will have to be re-examined so that technological progress and the accompanying new value systems will not result in the collapse of Governments and governance.

6. When we talk about governance we speak of the exercise of political, economic and administrative authority to manage a nation's affairs. This definition broadly includes the complex array of mechanisms, processes, relationships and institutions through which citizens manage affairs involving public life. However, current conditions have shown that governance is no longer the exclusive domain of the state.

7. Various bodies, almost all self-appointed now claim a right to have a role in the governance of a country. Going by the negative title of Non-Government Organisations (NGOs), these bodies have become so established that at many international conferences they provide an alternative fora for debate and resolution on whatever issues focused upon by the official conference.

8. Although there are national Non-Government Organisations, these bodies tend to act in concert with counterparts in other countries set up to deal with roughly identical fields. Although there are serious NGOs which aim at highlighting issues ignored by Governments, many are protest or anti-establishment movements with a tendency to take the law into their own hands.

9. The world professes to believe in democracy or the voice of the majority. But NGOs are the antithesis of democracy, for they represent the minority or even the individual who seek to impose their views on the people and the Government of the majority. Of course democracy advocates consideration for the minority, but when a minority, frequently a small minority, through disruptive actions imposes its will on the majority, it is questionable whether the cause of democracy is served. Be that as it may the fact is the NGOs are here to stay and their role in the governance of a country has to be recognised and accepted. Perhaps they serve a useful purpose for they force the Governments to look more

closely at what they may be doing and to be more circumspect and meticulous.

10. Now a new claimant has come into the field of governance. In a world that is more and more preoccupied with economic wealth to the exclusion of political and social well-being, "market forces" have laid claim to a dominant role in governance. Unabashedly "market forces" now claim a right to discipline Governments even. Not unnaturally the concern of market forces is with the maximisation of profits for themselves at the expense of everything else.

11. Governments have always known the need to create and maintain an environment that is conducive to doing business. After all much of Governments' revenues comes from the activities and the profits of business. But Governments must also be concerned with and must respond to the needs of society and political imperatives. Businesses are not overly concerned with social and political needs. For them the Governments are there to keep society and politics at bay while they make money for themselves.

12. Who are the market forces? Strictly speaking all consumers and everyone involved in businesses, big and small, should be considered a part of the forces of the market. But of late market forces seems to mean only the capitalists who invest in shares and trade in currencies. They have become the definitive market forces simply because they can exert tremendous influence over the performance of the economies of countries.

13. This has been made possible by instant communication and the mobility of funds across borders. Market forces have advocated and won support for the free flow of unlimited capital across borders so that they can invest without restriction and maximise their profits. They insist that this is the essence of free trade. Without the free flow of capital across borders there is no free trade.

14. The prospect of large capital inflows contributing to the rapid growth of a country's economy spurred the acceptance of the so-called free-market by developing countries. Poor countries can grow and become rich in a short space of time by allowing foreign capital to come in and invest in stocks and shares, apart from setting up production facilities which could benefit from the competitive advantage of cheap labour and low living standards. To enhance their attractiveness as investment centres these countries embraced the free convertibility of their currencies, i.e. the exposure to an exchange rate mechanism that is no longer controlled by Governments.

15. For a time these strategies worked miracles. Suddenly poor countries began to grow at unprecedented rates. Share prices appreciated to such high levels as to have no relation whatsoever with the assets or the performances of the businesses. The currencies strengthened along with the booming economies. International banks besieged Governments and businesses with offers of huge attractive loans to finance just about everything.

16. Then suddenly the market forces "lost confidence" in the Governments and the people of these countries. They accuse the Governments of poor governance, of lack of transparency, of corruption, nepotism and crony-capitalism. Declaring that they need to discipline these Governments and change the ways of doing business, they pulled out the capital they had invested and began to sell the currencies of these countries in order to devalue them.

17. The result of the massive outflow of capital and the devaluation is to impoverish these once-prosperous countries. Millions were thrown out of jobs, social and political unrests plague the countries and Governments were threatened and overthrown.

18. Market forces now wish to impose a system of governance and economic management which would enable them, the market forces to maximise their profits without restriction and regardless of the cost to other segments of society. Their stress is on minimal Government role in the management of the economy, meaning finance and business activities. But Governments must regulate and restrict other activities.

19. Thus when huge Asian conglomerates practise life-time employment freeing the Government from providing safety nets for job uncertainties, "market forces" want the Government to put in place instead safety nets so employers can sack workers freely. If the Government refuses to do this, then the market forces, meaning the currency traders and the share speculators, would attack the economy, devaluing the currency further and depressing share prices. This is intended to discipline the Government so that it would use force to ensure employees accept being sacked.

20. In Asia much of the capital comes from high savings rates. This enables a higher loans to capital ratio in business. Expansion and growth become more rapid especially when foreign loans are resorted to. These loans can be repaid provided the exchange rate is stable. However should the local currency depreciate against the

foreign currencies, the cost of repayment in local currency terms would be higher.

21. Knowing this the currency traders deliberately devalue the local currency under the pretext of losing confidence in the economy because of the high foreign debts. The effect of the devaluation of the currency is of course to render loans which were repayable before, not repayable now. With this businesses and Governments which had borrowed foreign currencies become unable to service and repay loans. The currency traders then claim that they were right in losing confidence in the economy of these countries. That it is their action in devaluing the currencies which made loan repayment difficult did not bother them. They had already made their profits from the process. They did not plan this of course or so they claim. But whether they plan or they don't their action leaves a trail of disaster which even if the reforms are efficacious will take decades to overcome.

22. The NGOs and market forces are now a part of a country's governance. The administrative machinery must adjust to this. Basically it means having to make do with less authority to govern. This must affect the effectiveness of the present system of Governments. The question is can present-day Governments adjust to this new environment, to less Government and more public self-administration?

23. Self-regulation is an attractive idea. It would be a wonderful society indeed if every member restrains himself from doing what is wrong. Unfortunately this is expecting too much of mere mortals. Besides, it is not possible for everyone to determine what is right and what is wrong. What may appear to be right to one may appear to be wrong to another or a whole lot of others. Indeed the exercise of one's right can often impinge upon and negate the rights of others. Without someone to decide, to arbitrate and to enforce, a self-regulating society must result in perpetual conflict and turmoil if not anarchy.

24. Society must therefore be regulated by a regulatory institution possessing the required authority. Current wisdom insists that only an institution chosen by a majority can govern fairly. To ensure that the authority is not misused, checks and balances must be put in place. In a typical democracy this is provided by the separation of the roles between the legislative, the executive and the judicial branches. If we believe in the voice of the people or at least the majority of the people, then the elected institution should, when there is disagreement, have the final say. But, depending on how strong or how weak is the elected institution, the final say may rest with any of the other two.

25. Obviously the checks and balance in a democracy are not perfect. There is however a degree of legitimacy and order in this system. But when other forces such as the NGOs and the market forces are also admitted into the process of governance, and these act almost entirely in their own narrow interests and according to their own perceptions, then society will be threatened even more with anarchy and injustice. Certainly when the so-called "market forces" decided to discipline the Governments of the East Asian countries by impoverishing them and their millions of people, the cause of justice, of human rights is not served. Yet the advocates of the free market insist that somehow the punishment of these Governments through their people is justified because in the end there would be a free market and absolute freedom for the capitalists to make as much money as they can for themselves. The pendulum has indeed swung far to the other extreme. Where before workers could do no wrong, now the capitalists can do no wrong. Industrial actions have been replaced by withdrawals of capital as economic bludgeons. As always people, innocent people have to pay the price.

26. This is the scenario that we are witnessing. Others will describe this scenario differently. They may even glorify the role of the market forces in disciplining the Governments. But the fact remains that the foray into governance by market forces has caused untold misery for millions of people and innumerable countries.

27. Whatever may be the new ideas about governance, we cannot yet assume that Governments and administration are things of the past. Adjustments may have to be made by the administrative bodies but they will still have a role to play. Societies must achieve sustainable growth in the interest of its well-being. It is impossible to do this without some methods and order in doing things. Even protests must be dealt with in an orderly way. This is expected by the protesters. And so there must be an administrative machinery to deal with the new forces in human society. In a disorderly world where everyone can participate in the governance of a nation, the machinery of administration must still be maintained in workable condition and must be able to deal with every eventuality.

28. When CAPAM chose Malaysia as the venue for your 3rd Conference we were a politically stable, harmonious, multiracial nation with a reasonably efficient administrative machinery. High and sustained economic growth was almost taken for granted here. There may have been something you could learn from our way of doing things and our modest achievements then.

29. But today as you hold your conference, Malaysia is experiencing its worst economic downturn -- a contraction of almost seven percent in the 2nd quarter of 1998. We are still politically stable and our multiracial population still get along well. Despite refusing to call in the IMF to take over, we are still better off than the other countries under attack by currency traders and stock-market raiders. We are trying to handle the financial and economic turmoil ourselves -- an exercise that involves not just the elected Government but also the administration and the public.

30. Our detractors are obviously bent on frustrating every move we make to resuscitate the economy. Thus when we decided to rehabilitate our banks and our businesses through recapitalisation and removing the Non-Performing Loans, foreign rating agencies promptly downgraded our credit ratings in order to prevent us from borrowing the funds needed.

31. We have lost more than 60 billion dollars in GDP terms due to devaluation and almost 500 billion dollars from the stock market. Our companies and banks are in distress. Government revenue will be much reduced.

32. This is the scenario in Malaysia today. We are trying to manage a country in deep crisis. Whether we fail or we pull through, we will definitely be providing lessons in governance for everyone. We hope that you as administrators will benefit from our experience. What has happened to us can happen to any country. If we can in some way provide you with the insight into the exploitation of the poor by the rich capitalist market forces and how we succeed or fail to counter them, there will be at least some return from the so-called "creative destruction" of our economy.

33. What is the "State of Governance" today? It is in a word "chaotic". Governments have now been forced to give up quite a lot of their power and role in the governance of nations. New players have eroded the power and authority of Governments. The Non-Government Organisations and the "markets forces" now play a prominent but not always constructive roles.

34. But even as we are forced to share governance, we have to face the challenge of the electronics. Information Technology should make Governments better informed and effective. Alas, it is now all too clear that information can mislead as much as help the Governments make informed decisions. Recently in Kuala Lumpur someone put into the Internet a report that there would be riots by armed foreign workers. The whole city went into a state of panic with people emptying shelves in the supermarkets and

business almost grounding to a halt. Millions of dollars were lost before the Government succeeded in calming the people and exposing the malicious intent of the Internet message.

35. Of course all kinds of false information about individuals, leaders, Governments and stock markets are now freely spread to everyone with access to the Internet. And with this, perceptions and decisions by everyone become distorted. More and faster information is not necessarily good.

36. We want to use the Internet for communication between officers and departments of the Government. We have to base our decisions on the huge amount of information that is now available. Very often these information are contradictory. Reading them, sifting through them and making decisions becomes not easier, but more difficult apart from consuming a lot of time. At the same time the speed of communication and everything else require that we decide quickly. And when we work under such pressure we are likely to make mistakes, more mistakes.

37. We may revel in the speed and the access to information that we now have but it will take a lot of time before we learn to handle information technology in the interest of good governance.

38. Governance is not going to be better anytime soon. It will become worse before it gets any better. And administrators must exchange views and experiences if you are to avoid repeating mistakes and creating chaos as we approach the next century and millennium. It is going to be tough for administrators to handle the simultaneous political, economic, social and technological changes. But unless you want to be irrelevant, you have not only to adjust but to learn as much as possible about the changes so as to contribute towards a better society through better governance.

39. Systems of Governments are not an end in themselves. They are means to an end. When systems fail they must go. But the interest of people and their Government must always remain paramount.