

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

EVENT: MAJLIS PERASMIAN MALAYSIA INCORPORATED SUMMIT 2000

VENUE: HOTEL ISTANA, KUALA LUMPUR

DATE : 24 JUL 2000

TIME :

Saya ucapkan terima kasih kepada pihak penganjur, ASLI dan MAMPU, kerana menjemput saya untuk merasmikan majlis pelancaran persidangan Malaysia Incorporated Summit 2000 pada hari ini.

2. Persidangan ini adalah sesuai dan tepat pada masanya setelah sekian lama kita mengamalkan konsep dan Dasar Persyarikatan Malaysia. Ternyata konsep Persyarikatan Malaysia telah banyak menyumbang kepada pembangunan negara yang pesat dalam dua dekad terakhir abad yang baru lepas.

3. The idea of Malaysia Incorporated is not a Malaysian original. When Japan rebuilt itself after the devastation of the country during the Pacific War, its performance was so remarkably good that many seek to understand the method or approach adopted by Japan. Western observers concluded that it was the close collaboration between the Government and the private sector which made Japan's fantastic recovery possible. The Western Press coined the word Japan Incorporated and implied that this was something improper and unprincipled. Governments it seems should be bureaucratic and put as many obstacles as they can in the way of the private sector. The more successful the private sector the more should the Government tax it, ostensibly in the interest of spreading the revenue and wealth to the rest of the people. In the early years after the Second World War a few socialist Governments in Europe actually imposed corporate taxes of more than 90 per cent. The idea seemed to be to punish business and to take away as much of their profit as possible. Japan's collaboration between Government and business was therefore considered bad practice and reprehensible. As usual the West tried to make out that their views were universal and everyone must accept them.

4. Malaysia like most countries was in the habit of adopting Western ideas without question. Thus Malaysia tended to set up state enterprises and to retain monopolistic services with the Government. Public servants were anything but servants of the

public. They were not expected to be helpful towards the private sector. A rather negative attitude was adopted. Delays were the general rule and if anything could be rejected it was rejected. The slightest mistake or failure to comply with policies or regulations would result in rejection. There was almost a feeling that there was no reason for civil servants to facilitate approval when it meant making some businessmen rich while the civil servant seemingly gained nothing at all.

5. The business community for their part would look at the civil servants as their bete noire or enemies almost. They dislike having to grovel before these bureaucrats in order to get through a statutory requirement. Where they could cheat they would and some resorted to bribes in order to get necessary approvals.

6. The end result was retarded progress for the economic growth of the country. Every transaction with the Government would take an unconscionable length of time. Approval to build a business premise in Kuala Lumpur took up to five years and quite often no approval was given because of some minor breaches or failure to conform to some obscure policy. There were hardly any high rise building in Kuala Lumpur and only a limited number of shops and houses could be built. Applications for housing projects would gather dust at City Hall.

7. It became clear that unless the approach to public-private sector relations was changed Malaysia would not develop and certainly would not develop fast.

8. Japan Incorporated may be improper to the West but there is no reason why it should seem so to Malaysia. What was a fact was that collaboration between business and Government in Japan had performed miracles for the recovery of Japan. By the 1980's Japan had become the second biggest economy in the world. Despite being earthquake prone, despite having to depend totally on foreign sources of fuel and material the cities of Japan grew rapidly and the infrastructure needs of rapid growth were met.

9. The question that we asked ourselves is why should there be confrontation between Government and business when close cooperation between the public and private sectors of Japan worked so well in rebuilding and prospering Japan. Looking closely we realised that a substantial amount of the profit by the business accrued to the Government through corporate and other taxes. At that time 45 per cent of the profits accrued to the Government. It was obvious that the more profit the businesses made the bigger the revenue for the Government. And bigger

revenue means not only a bigger Governmental development budget but also better and higher salaries for the Government servants. The Government servants therefore have a stake in the companies they dealt with. If the company loses not only will the Government get no revenue but the Government employees too would lose. Government and its employees should therefore help to ensure that the private sector made the maximum profit.

10. It was for this reason that Malaysia adopted the Malaysia Incorporated concept. There was the fear that if the Government employees, especially the decision makers get too close to the private sector they would be corrupted by the businessmen. This was a possibility that was real and could not be ignored. But then even if the Civil servants had a confrontational attitude towards the private sector they could still be corrupted. They needed only to delay the official processes to invite corruption. As much as it could not be denied that the Malaysia Incorporated concept could lead to corruption, the confrontational official attitude of the past had also resulted in corruption. But in addition the old attitude resulted in everything being slowed down and unacceptable delays and these delays cost money. On balance it would seem that the risk of corruption because of the Malaysia Incorporated concept was less than with the old boorish bureaucratic aloofness. The Government felt that the Malaysia Incorporated concept was worth adopting.

11. Having accepted the Malaysia Incorporated it was necessary to educate both the civil servants and the business community. They must understand the basis and the rationale of the Malaysia Incorporated concept and how they should use it for the faster and higher

economic development of the country. This was no easy task especially as the opposition saw this as an issue to attack the Government. The foreign press was as usual extremely negative. They saw in this an opportunity to condemn yet another Asian Government which had chosen what they labelled as an improper form of administration.

12. Detractors notwithstanding, the Malaysia Incorporated concept gradually changed the public/private sector relation. Bureaucratic procedures moved at a faster pace as civil servants interact closely with the business community and expedited the official processes. The civil servants understood as much as the businessmen that time meant money and that delays in the economic growth of the country would cost the civil servants as much as the business people.

13. The test of the pudding is in the eating. Did the Malaysia Incorporated concept contribute towards the development and enrichment of Malaysia? This is not so easy to pinpoint and to assess as Malaysia adopted, devised and implemented numerous other ways to speed up the development of the country.

14. Apart from the Malaysia Incorporated approach Malaysia also went in early and extensively into privatisation, into industrialisation through foreign direct investment, into tax free incentives for industrialisation, increased budgeting for tourism, big expositions, expanded trade with the countries of the South while increasing exports generally to traditional markets and many other economic stimuli. All these contributed towards Malaysia's rapid growth. But then all these efforts required the close cooperation between the private sector and the Government sector and this is facilitated by Malaysia Incorporated. In other words the concept helped all the other efforts to achieve success. So the Malaysia Incorporated approach contributed to all the other policies and methods to expedite the development of the nation. How much it helped is difficult to qualify. But clearly it contributed.

15. Malaysia's economic growth is one of the highest in the world. It must be remembered that when the Malaysia Incorporated concept was introduced Malaysia was not doing well at all. The country was going through its periodical economic downturn in the first half of the 1980-1990 decade. There was still too much dependence on the production of commodities like tin, rubber and to a lesser extent, palm oil. Production of petroleum and gas was low. Manufacturing was still a low contributor towards the economy.

16. The demand for the traditional commodities was low at that time and prices were bad. Palm oil was trading less than RM500 per ton, when the cost of production was more than RM500 in most cases. It looked as if Malaysia would not make much progress. Such was the revenue of the Government that Ministers had to take a pay cut. 17. The Malaysia Incorporated concept was introduced in 1983. It took time to be understood, adopted and practised and to yield result. But by 1986 the economy began to turn around. From then on it continued to grow at more than seven per cent annually. And it would have continued to grow if not for the attack on the Ringgit which precipitated a financial and economic turmoil.

18. During the implementation of the Malaysia Incorporated concept, the Government and the

private sectors were in constant dialogue. The economic and finance ministries held regular dialogues every year in order to iron out problems. These were serious sessions where the private sector was free to air their grouses and criticisms and to make suggestions on how the bureaucrats and the Government could improve the services rendered to the private sector.

19. On the other hand the Government was able to explain policies and procedures instituted by the Government in order to develop the country. Most importantly both sides not only learnt to understand each other better but acted on the suggestions and ideas to improve the services and the dealings between the two sectors.

20. Malaysia is a multi-racial country in which the different races are not equally developed. The indigenous people, the Bumiputeras, lag behind in the business sector while dominating the public sector. In other words there was a racial element which influenced the thinking of the private and public sectors. Confrontation was more likely than cooperation between the two sectors. If the racial elements were not properly handled then the interaction between the Government and the business community would be bugged with all kinds of problems.

21. Under these conditions a policy of close cooperation between the public and private sectors became even more critical. Left to themselves the Malay-dominated Government service would tend to obstruct the Chinese-dominated private sector. But the Malaysia Incorporated approach made it possible for both sides to downplay racial differences. They were both working for the same Corporation, Malaysia, and they knew that they both stood to gain or to lose depending on how the Corporation performs. Their close working relations not only contributed towards facilitating bureaucratic procedures and business and therefore contributing towards Malaysia's good economic growth but it actually contributed towards greater racial harmony as well. The Government and the private sector people were no longer strangers to each other. Annual Malaysia Incorporated Golf Tournaments helped cement the relations between the sectors and also the two major races in Malaysia.

22. But the Malaysia Incorporated concept also helped in reducing the disparities between the Bumiputeras and the non-Bumiputeras. Bumiputera businessmen had always been inept in the conduct of their relations with Government bureaucrats despite their being of the same race. With the Malaysia Incorporated concept in place Government bureaucrats

were more prepared to be more patient with the Bumiputera businessmen, whose problems were usually more numerous and taxing than those of the non-Bumiputeras.

23. The economic turmoil caused by the devaluation of the Ringgit tested Malaysia Incorporated to the maximum. If the relation between the private and the public sectors had been bad, Malaysia would not have withstood the pressures caused by the sudden impoverishment of the country. Although the income of the civil servants were not much affected their purchasing power deteriorated as the prices of goods and essentials inflated with the devaluation of the Ringgit. It would have been easy for the civil servants to blame the business community for price increases and their lowered standard of living. They would not have accepted the deferment of pay increases if they felt that the private sector was using the Ringgit's depreciation to increase prices.

24. But there was no animosity directed at the business community by the Government servants. In other countries, racial riots broke out and the business community, made up largely of a different race, was attacked repeatedly. Their shops were razed to the ground and the goods looted. But in Malaysia everyone was calm although clearly both the private and the public sectors were suffering.

25. The Government i.e. the civil servants and elected members had to work out a remedy for rehabilitating the economy. Not having any unrest and instability helped, but more importantly the civil servants worked hard to implement the measures taken by the Government to overcome the economic downturn. They knew that the main beneficiaries initially at least would be the private sector but they seemed to realise that their own fortunes were tied up with the success of the private sector. And so in the spirit of Malaysia Incorporated they did their utmost to turn around the economy. And as can be seen Malaysia's recovery is faster and greater than the other countries hit by the economic turmoil.

26. But we are now moving into the Information Age where radical changes will take place and the Government had pledged to adopt Electronic Government. Communication between Government and the private sectors will not only be more rapid but actual physical contacts may be minimal. Personal relations will be affected and some may even think that efficient communication would replace the need for mutual understanding between the bureaucrats and the businessmen.

27. This would be a mistake. E-Government would be less human if only efficiency counts. There must be the human element in the conduct of affairs between Government and the private sector. Perhaps more can be done in a given time but good relations between the people involved must contribute towards a better and more humane Government. A robot Government which deals electronically with the problem of human relationship may be efficient but it would destroy human society.

28. The Government of Malaysia is business friendly by choice. We see Government as a facilitator for all kinds of economic and social activities. We are not being purely altruistic. We get good returns from our business-friendly attitudes. We do not discriminate between locals and foreign unless there are good reasons but we favour the growth and well-being of our country and people all the time. We believe in a win-win formula. Both sides must benefit in whatever transaction. Certainly in helping the business community we in the Government expect to benefit ourselves and our country as a whole. 29. In the concept of Malaysia Incorporated we think we have found a formula for good governance. Governments must raise revenue to pay for the administration and development of the country. But the administration must give back to the tax-payers through good service; through service which would contribute to the well-being and the wealth of the tax-payers. The revenue is not for the administration to enjoy exclusively. It is to pay for its contribution to the task of making possible the kind of environment in which the tax-payers can go about their business of wealth creation.

30. Clearly the two sides are mutually interdependent. Their relation is almost symbiotic. They feed on each other, or put in another way, they help sustain each other. They are not parasitic.

31. The Malaysia Incorporated concept simply institutionalised a natural relation between two important segments of society. There is no reason to regard this relation as improper. It may lead to corruption and cronyism, etc but the confrontational approach to Government/private sector relation can also lead to corruption and cronyism. When people have bad values any system will lead to abuses. Blaming the system does not help resolve the problem. It is far better to try to tackle the abuses than to reject or condemn a system which can yield good results.

32. I hope that this summit will serve to re-invoke the spirit of Malaysia Incorporated as a vehicle of

close public- private sector collaboration. We need to continually educate and make more people aware of the benefits of this policy. Although it has been in existence for a long while now, there is still a lot of misconceptions about the rationale and objectives of the policy. It is therefore necessary to explain and educate the public as well as the private sectors what Malaysia Incorporated is all about.

33. The Government is committed to building an open and business-friendly environment as we seek to reinvent the Malaysian business model for the 21st century. It has to be a model that emphasises capabilities, performance, core competencies, creativity and innovativeness as key success factors in a technology-driven and globally connected world. We must ensure that Malaysia Incorporated as a proven policy is not only maintained but that its implementation is constantly reviewed and fine tuned so that it will contribute to a fair and responsive public sector, a dynamic private sector and a productive and efficient workforce which together will serve the country better.

34. Dengan ini saya dengan sukacitanya merasmikan persidangan Malaysia Incorporated Summit 2000.