

**SPEECH BY THE HON TUN DR MAHATHIR BIN MOHAMAD
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“Malaysia 2020 – From Vision to Reality”

I would like to thank the Bangladesh – Malaysia Business Forum for this invitation to talk on Malaysia’s development since independence, and the possibility of achieving Vision 2020 i.e. for Malaysia to become a fully developed country by that year.

2. Much as I would like to take credit for Malaysia’s rapid growth and its transformation from a basically agricultural country to an industrialised country, I would be ungrateful if I do not acknowledge the very valuable contributions of the three Prime Ministers who preceded me. Truly they laid the foundations and the principles which made it possible for the extra push to be made during my tenure as Prime Minister so that the development targets are met earlier.

3. Tunku Abdul Rahman, the first Prime Minister lead a unique independence struggle by inviting the three major communities in multi-ethnic Malaysia to participate and to share the fruits of independence. I say it is unique because the indigenous Malays could have gone it alone considering that the treaties with the British involved only Malay leaders, i.e. the Malay Sultans. The Chinese and Indians had no standing or legal rights as citizens except in the Straits Settlements of Penang and Malacca which had been ceded to the British.

4. In all the other countries of Southeast Asia independence meant returning sovereignty to the indigenous people. In Israel, independence led to the expropriation of Palestinian land and expulsion of the Palestinian Arabs. In many African countries, the immigrants were not welcome.

5. But in Malaysia, unconventional as ever, the indigenous Malays decided to work with the immigrant races. Thus began the unique coalition of race-based parties which has endured to this day. Had the Malays tried to grab everything for themselves, Malaysia would not be the peaceful and stable country that it is today. And as you know economic growth and development can only take place in a stable and peaceful environment.

6. I must hasten to add that the coalition now known as the National Front is a pre-election coalition, not a post-election marriage of convenience due to no party getting a workable majority. The component parties do not contest against each other. Allocated different constituencies, the component parties help each others’ candidates because in constituencies where their candidates are standing they can expect other component parties to help. And so the coalition wins big majorities in every election. Big majorities are necessary if the Government is to be strong enough to carry out its policies, strategies and plans. Governments cannot always do popular things if they want to govern well. Doing the right things is often unpopular. Only strong Governments with big majorities are capable of doing unpopular right things and still survive.

7. Coalitions of race-based parties are better than single multi-racial parties. In a coalition the small parties and ethnic minorities can be heard and represented.

8. The coalition concept is the key to Malaysia’s progress. Every race and every party must accept the need to make sacrifices for the good of the whole. The races in Malaysia subscribe to the principle that getting a slice of a growing economic cake is better than having the whole of a shrinking cake. Because the coalition has ensured peace and stability and therefore growth, the slices that each race gets of Malaysia’s economic wealth are all far bigger than the whole of the economic wealth of Malaysia at the time of independence.

9. Having settled the form of political cooperation between the races, the Coalition Government could focus on developing the country. Initially the only resource was agricultural land. Those without land were allocated 10 acres each to plant rubber.

10. But very quickly Malaysia ran out of land. But the workforce was growing and failure to create jobs for them would result in public disturbances, riots and demonstrations. These things would neither help them nor the country.

11. It was decided to create jobs through industrialisation. But at that time Malaysia had no manufacturing expertise, no capital, no management skills and no knowledge of the markets. The only way to industrialise was to invite foreign industrial investors to invest in labour intensive industries.

12. The Government did not mind not benefiting financially from the investments as long as the people get jobs. So taxes were foregone and industrial estates with good infrastructure were set up. The legal framework for investments was crafted in such a way as to convince foreign investors that their capital and properties would be safe especially from expropriation or nationalisation by the Government.

13. The Government adopted a business-friendly attitude. Ministers must be accessible to the business community. Regular dialogues with them are held, their complaints attended to and their ideas and suggestions seriously considered.

14. Until China opened up, Malaysia was attracting huge foreign investments. So many jobs were created that Malaysia ran short of labour. Today almost 2 million foreign workers are in Malaysia, a lot of them Bangladeshis.

15. Despite aiming only for job creation, Malaysia gained a lot more from the foreign investments in manufacturing. Its workers became highly skilled and commanded better pay. Some rose in rank and could take over the management. Some were able to design new products. Others acquired enough skills so that they could work for local companies and produce many of the components and even the final products.

16. Today Malaysian owned and managed companies are able to go into manufacturing of electronic goods and household appliances. From these, other industries were and are being started by Malaysians whose investments have reduced the effect of foreign direct investment going to other countries than Malaysia. 82% of Malaysia's exports of more than 100 billion US Dollars are made up of manufactured goods, including motorcars, engineering goods, refineries and other manufacturing plants.

17. All these were achieved despite the need for affirmative action. In 1969 race riots broke out in Kuala Lumpur. The Government quickly put an end to it. But the lesson was well learnt.

18. If Malaysia is to remain peaceful and stable the wealth of the country must be shared fairly between the different races. The New Economic Policy was introduced to enable the poorer indigenous races to get a bigger share of the economic cake.

19. Through education and training in business, creation of funds including the Bangladeshi invented micro-credit, provision of licenses, permits and premises for business etc. the indigenous people have been able to acquire a substantial portion of Malaysia's economic wealth.

20. Open-ended Unit Trusts mobilised small savings for investments. Today the Unit Trusts have over 50 billion Malaysian Ringgit, largely from poor indigenous people, which are invested in good Malaysian corporations and banks.

21. As the people's disposable income grew, the demand for better utilities also grew. And so, roads, railways, electricity and water supply, ports and airports have to be built.

22. Although it was demand which initiated the provision of infrastructure, the Government adopted a supply-based strategy. Roads were built even though there was apparently inadequate demand. The construction of the 800 km expressway linking the Southern tip of the Peninsular to the border with Thailand created jobs, stimulated production and supply of road-building materials, threw up small jobs for sub-contractors and opportunities for food suppliers to earn something for themselves.

23. When completed the expressway opened up remote, less developed areas, reduced the cost of transporting local products to the urban markets and urban goods to the rural areas. Whole towns grew all along the new highway. The conveniences of this high-speed road created new traffic where before there seemed to be none.

24. It is the same with the railways, the electricity and the water supply. The availability of these created new demands where before there seemed to be none. Ports attracted ships and cargo, while airports and ease of air travel attracted new airlines, tourists and travelers and freight.

25. Such was the success of this supply-based economic stimulation that the Government could not provide enough new infrastructures which have potentials to create new demands without borrowing too much. It was decided to privatise some of the Government functions and the infrastructure projects.

26. The world had not yet taken to privatisation when Malaysia launched its privatisation plan. There was really no model to follow and no experience to fall back on. The privatisation would obviously have to be done by trial and error.

27. But right from the beginning the Government was concerned over the effect on the workers and their jobs. On the other hand the private sector must earn a decent return on their investments. The public too would not like to be burdened with high fees and tolls.

28. All these three conflicting demands have to be taken into account if privatisation is to succeed. And so the private company taking over a Government function must ensure that workers are not laid off and their pay and perks should be equal if not better than what they were getting from the Government. In the event most of the companies offered better pay and bonuses to their workers so that many workers in Government owned utilities demanded they be privatised.

29. The public must accept that for the better facilities they are going to be provided with, they have to pay. Still they would not willingly pay if the charges are too high. To reduce the charges the Government transferred to the privatised entities land and assets at nominal price – sometimes at only one Malaysian Ringgit. Sometimes soft loans are provided. The Government is not subsidising the company. It is subsidising the public, the users.

30. The company taking over should make reasonable profits. The rates of charges or tolls must be included in the bid. The basis for proposing to charge these rates must be shown. If unreasonable then the bids may be rejected. Bidders will have to be careful not to overcharge or they will not get the project.

31. Usually the bid is for a period of 30 years. At the end of it the project reverts to the Government. Obviously the company should be able to recover its capital outlay and make a reasonable profit within that time. The company may make a bid again if the Government wants the private sector to continue to operate the facility.

32. Malaysia is a relatively small country with a small population. The per capita income when the development plan was launched was rather small. The domestic market cannot

support industries and their products sufficiently to contribute towards growth. The only way for Malaysia to have large-scale industries is for it to supply the world market. But the world market is particular about quality, prices and delivery times.

33. I have already mentioned that Malaysia had to rely on foreign direct investment to industrialise. It is fairly easy for the Government to adopt investor friendly attitude and policies. But the work force must also help to make investments in Malaysia attractive.

34. Knowing the world market's insistence on quality, price and delivery times, the workers have to be rigorously trained in order to achieve these objectives. Coming as they do from the rural agricultural sector it is not easy for them to accept the discipline of the work place. They need to appreciate the importance of quality, to learn to do things properly and to produce quality products. They need to do this speedily without affecting quality. Their productivity has to be high in order to reduce cost. And they must meet the targets in terms of quantity, quality and time. All these require a radical change in culture.

35. Workers are allowed to form unions, though the workers in the electronic industry may form only house unions. We are not against workers having unions but their jobs depend on the foreign investors getting a good return on their investments. Left to the unions, they would always use union pressure to gain higher wages. They may not accept the discipline of the work place and the need for satisfying market demands.

36. The union may succeed in extracting higher wages but if the cost of production goes up and quality etc. goes down, foreign investors and even local investors would not invest. If this happens then no new jobs will be created and there would be more workers than jobs. In other words there would be a lot of unemployment. In this situation wages would not rise.

37. Malaysia's strategy is to create such a big number of jobs that employers are forced to offer better wages in order to get workers and to retain those they already have in their employment. This strategy works. There are not many strikes in Malaysia but wages have gone up relative to the neighbouring countries.

38. There are of course many other things that Malaysia did in order to try to achieve Vision 2020. But I would like to mention a very important one. It is the administrative machinery. It is simple enough to make a decision about what needs to be done in order to develop the country. But implementing the decision requires a great deal of skill and dedication on the part of the implementors – the administrators, from the secretary to the Government, the top civil servant, to the lowest rung of the administration.

39. Malaysia inherited a small civil service from the British, most of whom were holding junior posts. To ensure a smooth transfer the British civil servants were retained for 3 to 5 years while locals understudied them. When the locals took over there was no disruption and the transfer was smooth.

40. A training school for administrators was set up to train future administrators. Later, a school of Diplomacy and Foreign Relations was added.

41. Innovations were introduced. A post-Cabinet staff meeting with the Minister on the same day, before the Minister forgets ensures that Cabinet decisions are understood. Ministers are required to be hands on i.e. they follow the implementation work personally or through regular illustrated reports. Any snag will be resolved by him or brought to the attention of the Cabinet.

42. Another innovation is to have each officer provided with a Desk File detailing all the work he has to do and his responsibilities. A manual of procedures and a work-flow chart enables him to understand all the processes involved in any work and his role in it. When a new officer takes

over the briefing is simple as the desk file, manual and work-flow charts are already there for his reference.

43. There is corruption in the civil service but it is minimal and does not affect the work of Government too much. An anti-corruption agency investigates allegations of corruption or when something does not seem right. No one is spared, not even the Ministers and Prime Ministers.

44. Crisis management is now a necessity. One of the worst crisis was the manipulated devaluation of the Malaysian currency by the currency traders. The usual drill is to set up a special organisation with senior Ministers and the Prime Minister, Civil Servant, the military and the police, the private sector and representatives of labour as members.

45. Because this is usually unwieldy a smaller committee would be set up with the principle members of the special body in it. This is a small committee of about 10 which meets every day to study the situation.

46. During the Currency Crisis the Committee scrutinised all the statistics concerned with the economic health of the country. Any indication that any sector is not doing well would result in very intensive study and proposals to overcome the problem.

47. The strategy to counter the activities of the currency traders was developed in this committee. And as you know the strategy was successful.

48. Today Malaysia's economy is back on track. Growth is now around 7% and, barring any untoward accidents, this growth is likely to be sustained.

49. We have another 16 years to go before the vision year 2020 is up. It is quite possible that the Vision will become a reality.
