

**SPEECH BY THE HON TUN DR MAHATHIR BIN MOHAMAD AT KHARTOUM, SUDAN  
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**“MALAYSIAN EXPERIENCE ON SOCIO-ECONOMIC DEVELOPMENT”**

I would like to thank the government of Sudan for this invitation to speak to this distinguished group involved in the governance and development of the country. Human society undergoes change all the time. the greater the rate of change, the more dynamic the society. The changes that take place are usually a response to the environment. for example the increase in the number of people, their need for food, clothing and shelter, protection from natural enemies and defence against attacks by other communities, require changes in the political, economic and social structure of the society. Societies which fail to adjust and to deal with these problems would decline or even perish. We know of many tribes that have disappeared. Even civilisations have disappeared when complacency bred orthodox traditionalism and there was resistance to change, to making adjustments to accommodate the changes in the environment.

Usually the adjustments are unplanned. but off and on there would emerge a leader who would initiate changes in order to increase the well-being and development of the society. We know the prophet Muhammad s.a.w. changed completely the character of the Jahilliah Arabs so that they gave up their tribal feuding and cruel practices such as burying alive their female children. The religion of Islam brought and taught by the prophet changed completely the value system and the way of life of those who accepted Islam so that the ignorant Arabs, the jahilliah were able to lay down the foundation of a great civilisation and create the biggest community or ummah who inhabited half the known world.

But we do know that around the 15<sup>th</sup> century of Masihi the great Muslim civilisation declined. And the decline, if we care to study and analyse is due to changes brought about by new interpretations of the teachings of Islam which confined learning only to the religion of Islam and Islamic law rather than the acquisition of knowledge, as a whole, including knowledge of medicine, the sciences, mathematics etc.

Throughout history we see many attempts at socio-economic development by changing the value systems and devising new ideologies meant to improve the quality of life in particular societies. Absolute monarchy itself is a response to the need for a more orderly society. But when the absolute rulers abuse their authority, it was decided that the people or the public should be tasked with the job of creating a better society. And so absolute monarchs were deposed to be replaced by republics i.e. a return of power to the public. But the public cannot rule directly. It is too cumbersome and so leaders had to be chosen to represent the public, the people. The idea of democracy caught on, at first limited to male property owners, but gradually to all adults of both sexes.

The exploitation of the workers led to socialism and communism. The workers paradise did not quite materialise. Individuals seized power and ruled in the name of the workers. But the dictatorship of the proletariat led to abuses and paradise turned into hell. Finally socialism and communism were discarded, to be replaced by the very system which had created the original problem, i.e. that of exploitation of the workers. Today capitalism is back with a vengeance. But we are seeing capitalism failing to produce a socio-economic paradise. It is creating a new set of problems through capitalist greed. When Malaysia became independent in 1959, the contest between capitalism and socialism / communism was at its height because most of the colonialists were capitalists, many of the subject people who were struggling for independence were attracted towards socialism and communism. The assumption was that since the colonised people were mainly workers, socialism would give them the power to direct the affairs of state. Then there would be no more exploitation by the agents of the capitalists, i.e. the colonial officers and businesses in their countries.

In Malaysia the indigenous people, the Malays were faced with two threats. They had to face the British colonialists and they also had to face the Chinese communists who wanted to seize the country and rule it as a Chinese-dominated communist state. Faced with these two threats the Malays opted for the capitalist system which was easier to handle. There was therefore no infatuation with the egalitarianism of the communists.

in choosing the capitalist free market system upon independence there was the expected demand for nationalisation of businesses since almost all belonged to the British or the Chinese. But although a few state enterprises were set up, the independent government resisted whole-sale nationalisation. Business confidence was thus sustained and so when the government, faced with increasing unemployment decided to industrialise and create jobs through foreign investments, since local expertise and capital was not available, there was immediate response from foreigners very quickly the agricultural base of the economy was transformed into an industrial base.

as you will note it was not so much the desire to industrialise that initially drove the government rather it was the need to create jobs for a rapidly growing worker population. Agriculture could not create jobs the way the manufacturing industry can. One acre of land for agriculture can hardly support one job but one acre of land for a factory can create a hundred jobs realising this the government went all out to attract foreign investments in labour intensive industries. To become really attractive the government was prepared to give up taxes, to put in needed infrastructure and generally to be business-friendly.

Malaysia was going in the opposite direction vis-à-vis the other newly independent countries. Not only was it not nationalising foreign holdings, it was actually increasing foreign involvement in its economy. Many believed that Malaysia would suffer the fate of the banana republics of Central America, so dependent on foreign investors that they lost their freedom to rule their countries themselves. But the Malaysian government did not depend entirely on these FDI for its income. Corporate and personal income taxes, import duties and even export duties provided the government with sufficient funds for the administration of the country and for building needed infrastructure. The foreign investors were not in a position to blackmail the government. Instead the foreign-owned industries soon began to spawn a pool of skilled workers and capable managers. Indirectly technology was acquired, first to produce components for the foreign manufacturers, then to set up fully Malaysian-owned manufacturing industries.

The labour-intensive industries created so many jobs that there is now full employment of Malaysian workers. In fact the country has to import foreign workers. As the foreign and Malaysian owned industries were export oriented, Malaysian trade grew by leaps and bounds. Today Malaysia, with a population of 25 million is the 17<sup>th</sup> biggest trading nation in the world. 82% of its exports worth \$100 billion a year and growing is made up of manufactured goods. Malaysia has become an industrialised country, accidentally at first, but deliberately planned later. All the while the government expended huge sums of money on education, believing that knowledge is the key to better earnings for its people. This has proved to be correct. Malaysia's literacy rate is now about 95%. Consequently its workforce is readily employable.

Under British rule the rural areas where most of the indigenous people, including the Malays lived, were neglected. Almost as soon as independence was achieved priority was given to rural development. A planned programme of road building, water and electricity supply, schools and health clinics soon changed the lives of the rural people. At the same time urban migration depleted the rural population. The university educated children of the villagers naturally remained in the urban areas. A complete demographic change has taken place. After practically solving the problem of rural poverty and poor infrastructure, now with urbanisation, the problem of urban slums has surfaced. This of course needs to be tackled with economic growth. The government is trying to provide for subsidised housing and other amenities.

Malaysia is not a socialist state, but neither is it a completely capitalist state to Malaysia. The important thing is not ideology but what each policy or strategy can deliver hence, the readiness to make use of the socialist or capitalist strategies and methods. If there is an ideology that Malaysia espouses, it is pragmatism, the dedication to what is practical. Once it was realised that industrialisation was possible, plans were drawn up for the development of the economy based on the manufacturing industry. Although Malaysia rejected communism, it was willing to adopt the five-year plans pioneered by the communists. But Malaysia went further and actually drew up long term perspective plans of 10, 20 and 30 years and periodical industrial master plans to take advantage of technological advances. Policies were also decided for national education, agricultural development, tourism and other specific economic activities.

Following the race riots of 1969, government decided to reduce the disparities in wealth between the races which had led to the riots. It came up with the new economic policy which has the twin objectives of eradicating poverty irrespective of race and removing the identification of race with economic functions. From then on all the five-year plans and long-term perspective plans took into account the objectives of the new economic policy. Although the target of the NEP have not been fully achieved, poverty has been reduced from about 50% to 5% while the disparities in economic wealth between the indigenous people and the non-indigenous Chinese and Indians have been reduced quite significantly.

Having created jobs for practically all its workers, the need now is to increase their income and to give them a better quality of life but Malaysia is a trading nation and it is very conscious of the need to be competitive always. Wage increases must be accompanied by higher productivity. We do not believe in wage increases brought about by pressures on the employers through industrial action. For example, without increases in productivity such wage increases would make Malaysian products in the world market uncompetitive. If we cannot sell our products so the manufacturers would make reasonable profits, then they are going to close shop and go elsewhere. No new investments would come in. The end result would be increasing unemployment. With more workers than jobs, wages can actually decrease. In the end the workers themselves would lose because of the demands that they forced upon their employers, foreign or local, through strikes etc.

The workers and their unions understand this. As a result there is usually industrial peace in Malaysia. This attracts new investors; create more jobs and greater demand for workers, which in turn results in higher wages being offered. All these contribute to economic growth, greater wealth for the country and higher living standards. But we really do want to see our workers earn more. If they cannot increase their productivity in their present jobs, and so get better pay then they should acquire new skills in areas where the value added is higher and the wages would consequently be higher.

The government has launched an ambitious plan to promote information technology (it) industries. But to make this a success the workers must be better educated. Universities and technical colleges are now providing courses in various it based disciplines. A huge new area has been designated the Multimedia Super Corridor within this area, which extends from Kuala Lumpur to the international airport, it industries would be given special incentives so as to create new higher paying jobs. A five-year master plan targets 500 it companies, with 30 world class, being set up by 2003, today there are more than 1000 companies, mostly located in a cyber city which has been specially set up. 50 of these companies are world class. The target has actually been exceeded. Tens of thousands of new jobs have been created through the setting up of the MSC and on the average their pay is much higher than those in the old manufacturing industries.

An important problem which has to be tackled by the Malaysian government is that of race-relations. Three major races live in Malaysia, each with different religions, languages, culture and personal wealth. In 1969 the disparities in economic wealth between the indigenous people and the Chinese resulted in race riots in Kuala Lumpur, in which more than 100 people were killed. While the new economic policy aims at reducing economic disparities, efforts had to be made to reduce tension between the races. The school system has failed to bring the children of different races together. Observing that during the Eid festival people of all races and religions would visit their Muslim friends; this practice was extended so that there would be open houses during the festivals of every race and religion. Government leaders especially would hold open houses during religious or cultural festivals so that the people of all races could visit the leaders by the thousands.

Finally the government introduced official festivals for every religion and culture and people of all races or religions would gather to enjoy the food and the cultural shows. The mixing of people of different races and religions has helped to reduce tension and build a more tolerant society. For the purpose of attracting tourists Malaysian tourist products are made out to be truly Asian – with an amalgam of the three major races of Asia, the Malays whose culture is similar to the Indonesians, the Chinese and the Indians. Thus visiting Malaysia would enable tourists to see the cultures of the three most numerous races of Asia.

While the objective is to attract tourists, the different races feel that their cultures have effectively become a part of the national culture. This has also helped to draw the races together. Even if there is no racial unity, there can be no denying that there is relative harmony between the different races and tribes in Malaysia. This is very important because in most multi-racial countries, conflict and violence between races are almost inevitable and the resultant instability prevents economic growth and development. Malaysian politics have contributed much towards the country's stability and socio-economic development recognising that the races wanted to retain their identities, the founding fathers decided to create a coalition of racial parties rather than a single multi-racial party. In a single multi-racial party it is possible that the most numerous races would dominate, taking all the important posts. The minorities might find it hard to have their views heard and taken seriously.

In a coalition of multi-racial parties, each could be given the same number of representatives. The dominant race would still fill the highest posts but the minority parties would have a quota of posts in the party to ensure that they are not sidelined. The government of Malaysia is also a coalition formed by representatives of all the race-based parties. This creates a sense of security for all and yet does not detract from the strength of the government. The government coalition in Malaysia has 14 parties. As a result of supporting each other on a quid pro quo basis, the government coalition has been able to achieve big majorities in parliament, usually more than two-thirds. This makes the government strong and it can make unpopular but necessary decisions. With 14 parties, no party can threaten to bring down the government by withdrawing. The numbers left would still be in the majority and would continue to rule. The party withdrawing would find itself in the opposition and would not be able to do much for its supporters. This deters members of the coalition from withdrawing.

The philosophy of the coalition is based on sharing political power and economic wealth. Conscious that racial clashes and instability would destroy the country and the economy, every race accepts that it is far better to share and achieve economic growth and prosperity than to try to grab all for any one race because the resultant confrontation would destroy the country and the economy and in the end the 100% share would amount to nothing. For the ordinary people this is best illustrated by the concept of an

economic cake which grows and all the slices allotted to the shareholders would become bigger, perhaps bigger than the whole of the original cake. An economic cake which fails to grow, will shrink because of racial violence and confrontation will result in the 100% share eventually becoming nothing. As you can see a whole lot of things have to be done in order to achieve socio-economic development in Malaysia. We all curb our feelings and emotions and attend to all our problems pragmatically, with as much common sense as possible. If sacrifices have to be made then all must make the sacrifice. No one should be absolutely happy because he gets everything he considers as his. In fact we believe we are doing the right thing when everyone is slightly unhappy and is complaining because he has to sacrifice something of what he considers as his.

I thank you.