

**SPEECH BY
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AT GLOBAL COMPETITIVE FORUM 2009
AT FOUR SEASONS HOTEL, RIYADH, ARAB SAUDI
ON 27 JANUARY 2009**

**“Sharing Malaysia’s Experience in Becoming
a Competitive World Player”**

1. Firstly I would like to thank the Saudi Arabian General Investment Agency (SAGIA) for this invitation to talk about Malaysia’s development experience. Malaysia itself had drawn upon the experience of other countries, in particular the East Asian countries like Japan and South Korea. If Malaysia’s experience can serve as a guide for the development of any country, we would feel greatly honoured and we will certainly share our experience with the country concerned.
2. Malaysia also believes in a slogan coined by its leaders that reflects Malaysia’s world view. The slogan is “Prosper Thy Neighbour” as opposed to “Beggar Thy Neighbour”.
3. Prospering your neighbour is not about being altruistic. We are as selfish as anyone else. But we believe when neighbours are prosperous they would have less trouble and their problems will not spill over into our country. Besides, when they are stable and prosperous we can sell things to them and of course buy things from them also.
4. I would not presume to make Saudi Arabia and the Gulf States more prosperous because you already are. But there is always merit in exchanging information. I am sure we can learn from you as much as you can learn from us.
5. Malaysia is not like Saudi Arabia or even the Gulf States. We are a multi-racial, country with races who profess different religions. As you know, such a country invariably finds difficulty in handling race relations especially when amplified by religious elements. Most such countries are violently unstable.
6. However we have been able to handle the situation quite well so that our country is stable and peaceful. I will not talk about how we did this, as that is not your problem.
7. When the British left in 1957 we were an agricultural country with a per capita income of about US 350 Dollars. We had a huge unemployment problem. Our first priority was therefore to avoid social unrest by creating jobs for the unemployed.
8. Agriculture does not create many jobs. Besides, to give a farmer reasonable income we would need at least 10 acres per person. We just did not have enough land.

9. The manufacturing industries create more jobs per acre of land than farming. So we opted for industrialisation, particularly with labour intensive industry.

10. But we had no industrial know-how, no capital, no management skills and no knowledge of world markets. We had no choice but to invite foreign investors to set up the industries.

11. Before they would come we had to have certain things in place.

12. We needed good Government, one that is not too corrupt, is business friendly, and is reasonably efficient.

13. We also needed political stability and industrial peace.

14. We needed basic infrastructure such as electricity, water and roads.

15. Our people must be prepared to learn the ethics of the workplace which is different from farming one's own land.

16. We sent delegations to potential capital exporting industrialised countries. Usually the team would be headed by a Minister to show Government commitment. But quite frequently the delegations were headed by the Prime Minister to ensure doors would be open.

17. I will not describe in detail the work of these investment missions but suffice to say that they were very successful. Part of the reason was the novelty of the idea. At a time when newly industrialising countries were nationalising foreign companies, we were in fact doing the opposite, getting foreigners to be involved more in our economy. It was however made clear that the foreigners must not get involved in local politics.

18. Such was the success of our policy that very quickly we ran short of workers, and foreign workers had to be brought in.

19. Malaysians found employment at all levels in these new industries. Although we gave tax holidays to these foreign companies, the employment they created and the development they had to undertake resulted in money being pumped into our economy. Our people began to enjoy better living standards.

20. But more than that our people learnt much about industries and marketing. Soon they were setting up industries to supply parts and components to the foreign industries. Then they began to manufacture the products themselves and to venture into new industries. The process of industrialisation which began with foreign investments had now taken off.

21. We believe in importing materials to add value and to re-export. This is what countries like Japan and Korea did. Poor in resources they had to import raw materials. They then processed the raw materials into finished products, which they exported to earn foreign exchange.

22. The difference between them and us is that they bought the technologies for processing and manufacturing while we actually brought in the industrialists to invest and operate in our country. Accordingly our own industrialisation was slower and not diversified as we liked. We concentrated on electronics.

23. Still we felt it was necessary to study the experience and methods of Japan and Korea; to find out more about how they succeeded.

24. We adopted a "Look East Policy". We had been looking west but the West had been industrialised a very long time and had forgotten how they dealt with the initial difficulties posed by industrialisation. The Japanese and Koreans had only very recently industrialised. They still remember their problems, their difficulties and how they overcame them. We could learn more from the Eastern countries than from the West.

25. Our study lead us to believe that the success or otherwise of a country is dependent on the culture i.e. the value system of the people. Whether they are white, black, brown or yellow does not matter. If they have the right value system they will succeed.

26. We therefore decided to learn and to practice the value system and the work ethics of the Japanese and the Koreans, particularly the Japanese. We sent Malaysian students and trainees to Japan and Korea to study in their universities and to work alongside their people in the factories.

27. The Japanese and the Koreans work very hard, are very disciplined and have a strong sense of shame. For the Japanese failure in any way is shameful. In some cases, they feel so ashamed when they fail that they would commit suicide.

28. Because they do not want to feel ashamed they would work hard to produce products they can be proud of.

29. With such values it is easy to get workers and executives to try to produce high quality products. When this is coupled with discipline in the workplace and diligence, success would be more likely to be achieved.

30. With this realisation we tried in Malaysia to instil new values. It was not always successful. But the change was sufficient to make the quality of our product sufficiently good to be accepted by the world.

31. In the West we found that there is built-in instability. The West believes in competition in the settlement of all disputes. The winner in the competition is considered to be in the right and the winner takes all.

32. Disputes between management and workers are also solved in this way. It does not matter who is right and who is wrong. The workers would call for a strike and the employers would have a lock out. The winner is the one who can withstand the losses more than the other. It could be the union of workers or the employers.

33. However, no matter who wins, the business, the economy and the country would suffer damage. Obviously if the country is competing with another country the damage would actually destroy the business and the country. We decided that strikes and lock-outs are not the way to settle disputes between employees and employers.

34. Because of this we persuaded workers and management to seriously negotiate, to go for arbitration or to refer to the labour courts whenever there was a dispute. In the meantime work would go on.

35. Because of this Malaysia suffered little from the damaging industrial actions that are seen in the West. Yet the workers did not feel they did not have rights or a fair deal.

36. Industrial peace is important because investors, foreign or local, would not be happy to risk their money in this climate.

37. We persuaded the workers that higher income should come from increases in productivity and maintaining the competitiveness of their products in the world market. When this happens there would be more investments and demand for more workers. They would then be offered better wages.

38. When we began the industrialisation program we wanted to maximise the returns to the workers and the country.

39. In any society the number of men is about the same as the number of women. To earn as much as we could for the people and the country we could not allow half the population to be basically idle, not working.

40. So we allowed women to work wherever they have the required qualifications. Men and women work in Malaysia as professionals, as well as manual workers. In fact we find women more productive than men in many instances.

41. No doubt there would be some social problems. But we find that excluding the women from our workforce does not solve our social problems either. They simply take a different form.

42. Infrastructure is important if a country is to develop. Some people wait until there is a demand before providing the infrastructure.

43. We believe availability of infrastructure creates demand. There are other benefits to be gained from providing infrastructure.

44. When the North-South Expressway linking the Thai-Malaysia border with the Malaysia-Singapore border was built we noted that towns and industrial parks sprouted all along the Expressway. This is because factories and businesses could be sited away from the urban centres without increasing the cost of transportation much. The land in the rural areas is relatively cheap and would reduce investment cost.

45. Construction of these new growth centres along the highway created jobs for the people and of course the demand for construction material increased and stimulated investments in the production of construction material like cement and steel.

46. Other infrastructure projects do the same for the economy. Power and water supply contribute to industry and to the people as well. Ports and airports also contribute towards export and import handling and trade. Ports and airports also become growth centres. If tax-free compounds were provided near ports and airports, then certain industries would be attracted.

47. The infrastructure needs of industries also serve the needs of the general population.

48. Government has a special role to play. It is important to remember that when Government spends money, it will eventually get it back in the form of taxes. Even when the Government extend subsidies to investors and contractors provided they are not too big, the money will flow back to the Government in the form of taxes. This is because subsidies stimulate growth, enrich the people and the profitability of business.

49. Thus the expressways were subsidised to some extent in order to reduce the toll rates to be charged. The subsidy in the case of the North-South Expressway took the form of transferring some of the roads already in place to the Toll Road companies, together with soft loans and acquisitions of land by the Government for the toll road operators.

50. As a result of the subsidy, the cost of building the expressways was lowered and profits could be made even when charging low toll rates.

51. The benefit is twofold. Because the toll rates were low, more motorists would use it and the expressway company will make profits and pay taxes. But if the toll is too high, few motorists will use the expressways, the company will lose money and will pay no taxes to the Government.

52. The second benefit comes from development along the expressway. The construction of new townships and industrial parks will generate employment and businesses and the industries set up due to ease of

transportation will also generate wealth for the nation and revenue for the Government.

53. Even if the Government finance and build the infrastructure it would generate wealth through the construction process and the facilities made available to the people and for business. But the Government would have to wait until it had sufficient money. It would take a long time and the returns would take an even longer time.

54. Corruption is a social disease found all over the world. No country is absolutely free from corruption. In some countries corruption has become institutionalised. And corruption is among the most difficult crimes to detect and even more difficult to gain conviction in courts of law.

55. But corruption is the single most important obstruction to a country's development. Good decisions cannot be made and even bad decisions would face a lot of delays. In the end most of the investments for the development of the country just would not come in.

56. Contractors for Government projects are usually the principal victims. But just about anything which involves approvals by the authorities would be subjected to demands for illegal gratifications.

57. With corruption, cost must go up. How much it will go up cannot be ascertained. There is no rate for corruption and there is no certainty that after payments are made there will not be others who will demand for gratification.

58. There is corruption in Malaysia, though it is still at the first stage i.e. the corrupt officers still hide their acceptance because they fear being apprehended or they do not like doing wrong openly.

59. At this stage it may still be possible to reduce corruption. When it reaches the second stage, when corruption is a part of the peoples' culture, and everyone, from the top to the bottom openly expect and accepts bribe, little can be done to stop corruption.

60. But we can reduce corruption even if we cannot prevent it altogether. In Malaysia we insisted in shortening the process and the time for making decisions. This we did by introducing manuals of procedures for every type of work, by having work flow charts and desk files for every officer.

61. If the time taken to approve or disapprove goes beyond that stipulated in the procedures we would be able to quickly know that something was wrong and we would know where the delay had taken place and the culprit involved.

62. The result of the introduction of this system was dramatic. Suddenly the city of Kuala Lumpur grew, investments were approved, factories were built and all the infrastructure projects took off.

63. Admittedly there is still some corruption but not to the extent that the development of the country could not take place or be grossly delayed.

64. There is of course the need for a good administrative machinery. The set up of the administration must be properly structured, methodical and clear, with clear-cut divisions of authority.

65. There must be proper methods for any job to be done. We learnt a lot from the conduct of our war against terrorists in the early days of our independence.

66. We had used extensively "the war room" where all the charts were kept and briefings held. Intelligence provided us with up-to-date information on the activities of the enemy and this enabled us to deploy correctly our forces. As a result Malaysia is one of the few countries that had managed to defeat insurgent terrorists.

67. For the administration we set up operations rooms where briefings could be held regularly, charts marked, latest photos displayed before the panels of officers, ministers and often the Prime Minister.

68. With the briefings in the operations rooms accompanied by clear evidence of what was happening on the ground, officers are kept on their toes. If the officers are not efficient we will know during the briefings.

69. We of course have special schools to train our administrators and diplomats. We have many training facilities for all kinds of Government work. It is not enough for them to have a university degree. They must know fully the particular task they have to do and to demonstrate that they can really do it.

70. Finally we planned. The best machinery and systems will fail unless their tasks are coordinated and directed to achieving a definable target.

71. The free market countries would let the market decide the goals and direction of the economy and invariably they would decide on achieving maximum profits for each and every one of them. They would not set goals for the nation as a whole. They would not consciously work to develop and enrich the country.

72. The centrally planned Communist countries of the past invariably plan their future and their targets.

73. Although Malaysia is not a Communist country, it has been willing to use methods originating from Communist or capitalist countries. Malaysia had no ideology. It merely wants to prosper its people and the country as a whole. Malaysia is simply pragmatic, accepting and doing what would produce results, irrespective of ideologies.

74. Seeing the merits in working to a given plan, Malaysia adopted the Communist five-year planning system. But it went beyond that to have a longer term planning of 10 to 30 years.

75. The plans enable the country and the Government to focus on areas that could contribute toward achieving the planned target.

76. Planning requires information on all aspects of the economy. Merely fixing the target is not enough. The assets of the country needed to be known and maximally utilised.

77. We would know at any stage the strength and the capacities of our workforce, the funds available with the Government and the private sector, the areas to deploy them, the availability of infrastructure and the need for developing more essential infrastructure etc etc.

78. The targets of each plan would be set and the whole assets and strength of the country would be mobilised to ensure achievement of the set target. The plans included the distinct roles and tasks of each agency of the Government.

79. The role of the private sector would also be determined and their inputs maximised.

80. The progress of the plan would be monitored closely. At the halfway point the plan would be reviewed to gauge the progress and identify the glitches and obstructions. The mid-term review may result in changes being made to the plan where necessary.

81. Funds would be allocated for the whole five-year period for each agency of the Government. Depending on how the funds were utilised, more funds would be made available at mid-term.

82. Plans do not stop at the end of the plan period. Most development effort would continue into the next plan period. It is therefore necessary to make the new five-year plan before the current plan is completed.

83. Throughout, the machinery for overseeing the progress in the implementation of the plan must be in place. Systems of reporting back must be devised. The supervision must involve the Government at all levels beginning with the Prime Minister right down to the inspectorate. Everyone in the administration must be hands on, checking and verifying personally all the work on the ground.

84. As can be seen Malaysia has become a competitive world player by adopting the work ethics and systems of the most competitive countries. Of necessity, changes had to be made to suit our conditions.

85. A 100 per cent success is hard to achieve but if the target is set high enough e.g. wanting to become a developed country in a specific time frame,

even if the achievement is less than targeted, the progress made must be far more than when things are left to happen on their own.

86. This is Malaysia's experience. In a way it is about hard work.
