

**SPEECH BY TUN DR MAHATHIR BIN MOHAMAD
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“State Craft, Corruption and National Development”

1. I have been asked to speak on “State Craft, Corruption and National Development”. I will take each one separately. However I think the term “State Craft” is rather archaic. Actually what we mean is management – the management in this case of the state, and all matters related to it.
2. For the Europeans, they had what they called in the 19th Century their “great games”. They had spheres of influence, balances of power, wars for international supremacy, building empires and missions to civilize the primitive natives. They juggled with these things for the interest of the European nations without regard for the natives and their rights to their land.
3. But today things are different. The former European colonies are now independent states. As independent states they have to apply state craft to themselves i.e. to administer them, to grow their economies, manage their politics and decide on policies with regard to their neighbour far and near. On the top of all that they have to accept the democratic parliamentary system promoted by the erstwhile colonizers. If they don't than all kinds of pressures would be applied against them.
4. To do all this requires considerable skill not just in terms of administration but also the formulation of policies, domestic and external. In many cases they are poor and this makes them dependent on the rich and the powerful. This dependence carries a price.
5. With this in the background the management of states would need “state craft” if you like but actually skills in management. There must be at least a degree of awareness and knowledge of the forces aligned against them, internally and externally.
6. Another factor that will require some special skill would be the handling of the international media. Like it or not what they say will shape the perception of others of the country and its administration. Even the nationals of the country will be influenced by the media.
7. Other than these two which cannot be controlled, the management of the country should be quite manageable.
8. The obvious requirement for good managements must begin with the correct structure of the management apparatus. It will need a head, a Prime Minister or Executive President capable of making the structure function.

9. Today the leader plays a much bigger role. He must therefore be a person of good character who has shown by his previous record to be one who loves his country and his people more than himself. He may have weaknesses but they must be within his control.

10. He needs to be well educated and have sufficient understanding about all fields of human endeavour. And he must have ideas far more than those who serve under him.

11. He has to be the model for the people he leads. He must live the life he advocates for others. He must be prepared to be the first to carry out what he preaches.

12. He has to be brave, disciplined, and capable of fighting his own base inclinations.

13. It is obvious that such a man cannot be readily found. But if he has a modicum of all these virtues that would be enough. A willingness to listen to everyone, official and unofficial would make up for lack of knowledge. Above all he must not listen only to his official advisers because they would become sycophants very quickly,

14. Supporting him will be his lieutenants, not all of whom should be chosen by him. They must be upright men, capable not just to give their views and assessments of what the leader proposes but also to give reasoned arguments against his stand. They will be the devils' advocates, but seriously so. They must truly know the task they have been made responsible for. There are other qualities which they should have but the above would be enough.

15. Apart from the lieutenants he should be willing to consult other people, his cabinet included. He should tolerate no nonsense from them.

16. With this team in place he would be able to manage the affairs of state quite well. Disregarding for the moment foreign relations, the leader can give full attention to the country's development.

17. As the country's CEO, for that is what he is, he must gather information on the assets and liabilities of the country. This would include human resources and other natural resources. The liabilities would include the climate, the location of the country, the difficulties of communication and generally the poverty of the people.

18. Assuming that the information on the assets and liabilities are known the next thing is to set the target. This must be realistic, taking into account the capacities of the country.

19. At this stage it will be necessary to find models. Throughout the world there are many countries at different stages of development. Their achievement should be studied and their methods of managing their assets and abilities should provide some idea of what can be done in the country in order to keep it stable and to grow it.

20. There are countries in the world which had achieved developed status a very long time ago. They are not good models. They probably came by their wealth in ways which cannot be duplicated e.g. through colonization of other countries and extracting their wealth.

21. The better models would be the recently developed countries. Their methods and strategies should be studied and copied. If adopted the results would not be perfect. But they would be better than striking out on your own with untested methods and strategies. In any case it is seldom that the capacity to copy would be fully available in the country.

22. Thus, a country like Japan for example adopted a very simple formula i.e. import raw materials, process and export finished products. This is only possible if there is enough local capital and technology.

23. An easier route would be to allow foreigners to invest in industries and create jobs for the people. The benefit to the country would be minimal. While they and the country may not earn much, certain skills would still be acquired. The skills and the discipline of the work place acquired this way can in the long run produce a better and more productive work force.

24. A third way would be to allow foreign capital and expertise to come in freely, invest in industries, operate the local economy and develop the country. The down side is the tendency for foreigners to meddle with local politics including the choice of Government.

25. There may be other models. It is up to the politicians in the Government to choose, to modify as necessary and to extract the most out of these systems. A good leader may still extract benefits from whichever system that is adopted. Much management skills would be needed.

26. Whatever may be the choice, the machinery of Government must be adequate to handle the problems of implementation. Administrative skills may be natural but in most instances it has to be acquired. General education alone is not enough. There are enough specialised courses on management and administration available abroad. They should be resorted to.

27. Divisions of labour is implied in the set-up of ministries and departments. They will not be perfect. There would always be overlaps and deficiencies in any

of the units of the administrations. But the imperfection and inadequacies can be overcome by not being too rigid about turfs.

28. The leader as CEO must ensure that the units cooperate with each other. The skilled CEO would know roughly the role and the expertise of each. Knowing this he would be able to extract the best out of every unit.

29. The ability of the CEO must extend towards problems solving and innovations. The methods and the systems should always be examined so that should they stand in the way of achieving results they should be modified or even discarded. For this, decisiveness on the part of the CEO would be needed. Nothing is more debilitating than a lack of decisiveness on the part of a leader. He must accept that if he makes a mistake he should be willing to take the blame and even to quit.

30. There is no shame in quitting but there is a lot of shame in trying to stay on after having failed. This being so a leader needs to know as much as possible about the problems he is dealing with before deciding. Consultants can help but in the end the leader must choose. From then on he must bear the blame if anything goes wrong. Of course he can claim credit if things go right.

31. Today's leaders are usually elected. This put an extra burden on him because he must not only rule well but he must carry the people with him. He has to be a juggler, deciding between what he considers is right and what his followers think is right. Sectarianism may compel him to discriminate in favour of the majority group. He would then expose himself not only to accusations of unfairness and bias but he might have to go against his own conscience and better judgement. If he is smart he may be able to do both, retain sectarians support without troubling his own conscience.

32. Clearly the leader or CEO of a state requires almost super-human skills. But it is only almost superhuman, not really superhuman. So it is still possible not to just survive but to manage things well.

Corruption

33. Corruption is endemic. There is no country in the world that is free of corruption. Even in those countries where the corrupt would be executed, corruption still persists.

34. Corruption may happen in the private sector but it is in the public sector that it creates the most problem. It may result in the nation becoming unable to develop and to become literally bankrupt.

35. The saying that "power corrupts and absolute power corrupts absolutely" is absolutely true.

36. The answer should therefore be to accord no power to anyone. But then someone must be given the power to decide if a Government or an organisation is to function.

37. Many ways have been tried to stop corruption. Laws have been passed and the most severe punishment prescribed. Agencies have been set to prevent corruption and to enforce the law. But the result is quite dismal.

38. Some have suggested that corruption be accepted as a way of life. Indeed there are countries where corrupt practices are carried out openly. There may even be going rates for certain favours. But there is no limit to greed and the acceptance of corruption as a way of life has not improved matters.

39. Some say it is because civil servants are not adequately paid that they have to resort to illegal gratification. But we see corruption even when pay and wages are high, high enough to give a good living.

40. There was one case where the Government increased the pay of civil servants by 300%. The only result was to increase the gratification 300% demanded as the civil servant regard the usual amount too small for a person with his higher pay.

41. Delays always lead to corruption. When an application is delayed the client might offer gratification to get things expedited. Once the civil servant realises that clients would pay to expedite, then the delay would be deliberate.

42. Anti-corruption agencies of all kinds have been tried. In their enthusiasm they may end up harassing the companies or individuals. They may take away documents for special scrutiny and the individual or company would be unable to do work or business.

43. Frustrated the beleaguered company may offer to settle. This can lead to the anti-corruption officers being offered illegal gratification.

44. The anti-corruption officer can threaten to take the company or individual to court, hinting that the court might impose a higher fine than the assessed tax and fine. This may lead to corruption and loss of confidence of the investors and the business community generally.

45. Frequently corruption would involve the higher ups. It is easy to say that the law should be applied equally to all. But usually the officer would hesitate and the senior men would get away with it.

46. However others who knew of corruption in high places would be tempted to accept bribes themselves. Should they be caught they would threaten to expose the senior person.

47. Political members of the Government might actually steal Government money by skimming off allocations for projects for example. Contractors would be persuaded to quote a higher figure for a tender and the ministers and the officials take the extra profit. Unnecessary projects may be proposed so as to line the pockets of officials and ministers.

48. Truly corruption is the bane of Governments and countries. It increases the cost of administration and development, it delays constructions and projects, it obstructs the progress of the country. Developments cannot be made and wealth for the nation and the people cannot be increased.

49. The reputation of the country would be badly affected and investors and entrepreneurs, whether local or foreign would avoid investing, causing unemployment with all the social side effects. Businesses just cannot thrive and Government revenue would be reduced. Public works cannot be implemented, undermining the construction of infra-structure and pushing living standards down.

50. The country would not be able to climb out of poverty and would remain a third world country.

51. Corruption is a function of the culture of the people i.e. their value system. When people have no sense of shame and their greed overcomes their better judgement, corruption just cannot be stopped. No amount of explanation about the destructive effect of corruption would be of any use.

52. Corruption in political parties is also very damaging to the whole country. When a party gains power, the ministers will know there would be opportunities for making easy money. There would always be a violent struggle to get into high positions in the party.

53. Should the party win elections then the Government would be ruled by the corrupt. Such people would not be interested in providing a good and clean administration. They would be interested only in enriching themselves.

54. The result is predictable. The people would eventually reject the party. Unfortunately by then the country would be damaged probably beyond repair. There would be negative progress i.e. failure to develop.

55. Is there a way to stop corruption? There is. The only way is to develop a culture that rejects corruption. The time to do this is in the formative years – at home and in school.

56. Some people have a culture which upholds honour and stresses the need to avoid shame.

57. The Japanese have a strong sense of shame, such that if they do anything shameful they would commit suicide, *hara-kiri*. Fear of being shamed forced them to try do their best in whatever they do. If they steal or take what does not belong to them as in corruption, then they would be exposed to fear of being shamed. Even if today they do not commit suicide (some still do) they must try to expiate their shame by resigning or by admitting responsibility and accepting punishment.

58. This is not to say that the Japanese cannot be corrupt but the incidence would not be so common that it would affect the performance of their country.

59. A sense of shame is perhaps the most important value to believe in and to uphold if we aim to help reduce corruption. Anyone caught being corrupt should feel shame and dishonour so strongly that he would find life extremely miserable. Knowing this he would try to ensure that he would do nothing that will cause him this misery. Certainly he would reject the urge to be corrupt.

60. For the Japanese this is already a part of their culture, their value system. Can this value system be built into the culture of other societies? It would be difficult but it can be done.

61. The first need is for the leadership to discipline himself into rejecting his greed for wanting what does not legitimately belong to him. He must set this example. He more than anyone else must not be corrupt.

62. If he is successful in his rejection of corruption, it is most likely that he would be a respected and strong leader. He would then be able to campaign against corruption.

63. His next test would be to act against his own relatives, supporters and friends. The desire to cover up is very strong but if he is seen to act and not to cover up his position generally would become stronger.

64. The anti-corruption agencies would then be more willing to enforce anti-corruption laws without fear or favour. At that stage if he tries to change the value system of his people so that they would feel shame if they indulge in corrupt practices, so that they believe in the concept of honour, he may succeed.

65. I will stress once again the need to have an incorruptible leader. Even in a fairly clean society if the person who gets into power is corrupt, all the cleanliness would disappear very quickly. It is admittedly easier to spread corrupt culture than to erase or reduce it.

66. We have discussed state craft (or management) and corruption. Obviously we talk about these subjects first because they have impacts and influence on national development.

67. The first need for national development to take place is to have political stability. A country in turmoil would not be able to develop. It is important therefore that the causes of national instability be identified and removed or rendered less divisive.

68. In Malaysia the causes are the differences in ethnicity or race and the disparities in economic wealth between them. In most multiracial countries we will find instability. Malaysia however has managed to remain relatively stable although the divisive factors have always been there. A system of power-sharing and respect for each other's religion and culture has kept the country relatively stable.

69. Assuming that relative political stability is achieved, focus can then be directed at national development. This should begin with adopting a policy of being business-friendly. This is essential as development must involve the private sector. By being business-friendly much of the burden of development can be shifted to the private sector.

70. The private sector is always conscious not just with profits but with having to pay back borrowed money. Failure to manage their businesses profitably may result in financial problems. Government servants are not worried about this eventuality. Their jobs are secure whatever may happen to the Government businesses they manage.

71. The private sector must be helped with efficient service and even with financing, remembering that a percentage of their profits belong to the Government as corporate tax.

72. Japan had practiced what has been termed as Japan Incorporated. Malaysia had adopted this concept. It had speeded up the development of the country because of the close cooperation between Government and the private sector.

73. The first need in development must be the provision of infrastructure. This will include schools and universities, roads, bridges and railroads, water and electricity, sanitation and medical services, airports and ports.

74. The construction of these infrastructures apart from constituting development in itself will also stimulate development. Thus when a road is built, the ease of transportation would lead to the opening of more land for settlements, for businesses and for industries, in particular the transport industries.

75. All these developments would create jobs for the people whose increased buying power would support more businesses, big and small.

76. With the increases in the economic activities Government revenue would increase. This of course would help finance the additional infrastructure projects which in turn would stimulate further economic growth.

77. If the Government has not got the funds to build the infrastructure projects the private sector should be allowed to finance and build and collect fees from the users. But the users may initially be poor and unable to pay toll rates that could give the private investors a return on their money.

78. Here the Government can help to reduce capital cost by transferring assets such as land for free, giving soft loans to further reduce capital costs and enable the private developer to charge low and affordable rates and still be viable.

79. It is important to remember that the construction of infrastructure projects whether by the Government or the private sector will benefit the contractors, the sub-contractors, the suppliers, the workers and even the small traders whom the workers patronize.

80. Eventually the Government would experience an increase in revenue from income tax, corporate tax on the businesses directly involved in the project, taxes on supply contractors, even the wholesalers who supply various kinds of food for the workers working on numerous projects.

81. Once the basic infrastructures are in place, the need for more projects would arise. The construction of more roads, bridges etc will generate growth and contribute towards development of the country.

82. Development is of course not confined to physical construction. The other businesses must be helped and stimulated. The commercial banking facilities must be supplemented with dedicated Government-sponsored banks. Thus there should be banks for small and medium business, for agriculture, for tourism etc. Easy terms must be given.

83. A useful addition is the small loans banks for rural small industries fashioned after the Grameen Bank of Bangladesh. This kind of bank can help increase rural income. Education and training will help upgrade human resources and facilitate development. Most assuredly the state craft or management knowhow of the leader, couple with his abhorrence of corruption in himself and his people will make national development a success.