

**SPEECH BY TUN DR MAHATHIR BIN MOHAMAD AT THE OIC MEMBER
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“Vision in the Development of a Nation”

1. I would like to thank the organisers for this invitation to talk about “Vision in the Development of a Nation”.
2. Countries used to grow largely through the initiatives of the private sector in the quest for profits. It was seemingly a natural process. It required no real planning nor was the Government required to help the process.
3. The Government’s main role initially was the provision of law and the maintenance of order. The welfare and well-being of the people depended mostly on their own initiatives.
4. Inevitably the rich and the powerful exploited the poor and the weak. Also inevitably there arose conflicts between rich and poor which often exploded into violence and instability. Consequently economic growth would often be retarded and this in turn prevents eradication of poverty and development of the nation.
5. The thinkers and philosophers of the time came up with ways and means to reduce the disparities between rich and poor. One of them was to give the Government greater responsibility in determining the way and the course the development of the country should take. Social justice became a matter of prime concern for everyone.
6. In the socialist countries this took the form of nationalisation and economic planning. The plans not only focussed on stimulating growth but also equal distribution of the wealth of the nation.
7. The five-year plans of the socialist countries had this objective. It was believed that control of the means of production by the Government would ensure the resultant profits would go completely to the Government, which would then be equally distributed to all the people.
8. After years of adopting the strategy, it was found that the expected growth did not take place. The nationalised industries failed to perform and could not contribute to the development of the nation as was happening to the free market economies.
9. What happened was that managers and workers in nationalised industries had no incentive to grow the business because they stood to gain very little from the ideas and the work that they put in.

10. In capitalist societies, the expectation of greater profits acted as great incentives in terms of good management, innovations and initiatives. But the disparities between rich and poor could not be significantly reduced. In fact they could increase.

11. After studying the socialist and the capitalist free market systems the Malaysian policy makers and planners decided that the best results would come from a combination of the best elements in the two systems – the socialist centrally planned economy and the capitalists free market economy.

12. The Malaysian Government thus decided to adopt the capitalist free-market system but mitigate it with economic planning and a limited number of national enterprises.

13. While the private sector should be allowed to do business freely, the Government should determine the direction and provide laws, rules and regulations to govern their activities. This is to ensure exploitation through monopolies or price-fixing would not happen, or would be minimal.

14. Planning was detailed and extensive and requires the participation of the private sector. The primary objective of industrialisation was to get the investors, foreign and local to create jobs for the workers. Accordingly incentives were given to the investors in the form of tax exemptions. Going beyond that the Government adopted a business-friendly attitude, helping the investors to achieve reasonable profits and to expand their businesses.

15. With these incentives and friendliness, investors, local and foreign rushed to set up manufacturing industries. Very quickly unemployment was reduced and the country's economy became more industrial than agricultural.

16. The Government lost money due to the tax holidays. But with most of the workers earning incomes, the spending power of the people grew. This supported retail and wholesale businesses which pay corporate tax to the Government. This compensated for the loss in revenue due to tax exemption for the industrial investors. The industries also required the support of local businesses and industries, which grew and prospered. A lot of money was injected into the local economy which increased the per capita and GDP. Government revenue was also increased as demands for food, clothing and housing, stimulated import and wholesale businesses and corporate and income taxes collected. It was clear that the stimulation of business through tax exemptions increased the revenue from income and corporate taxes on the local businesses which were stimulated.

17. A good example is provided by abolishing import taxes on luxury good, electronic goods such as cameras, video projectors, TV etc. The sale of these

tax-free goods grew rapidly. Even foreigners would come to Malaysia to buy them as they were cheap.

18. The shops selling these tax-free goods grew in number, sales went up and much profit was earned by them. The Government then collected corporate tax amounting to 28% of the profits made. The corporate tax collected is usually much more than the import duty on the electronic goods which was foregone.

19. Clearly import-tax exemption in suitable cases is a good way to stimulate business and to increase Government revenue from income and corporate taxes.

20. The five-year plans enabled the Government to focus on particular areas which needed to be promoted. Special attention was given to those which can contribute towards wealth creation and economic growth.

21. For example tourism was identified as an industry which could contribute much to economic growth. As the flow of tourists increased, the service industries, including transportation, hotels and restaurants were started and grew. Tourism promotion was given a good budget while visa requirements were abolished for certain countries. Natural attractions were enhanced while new tourist products were created.

22. Sporting events such as F1 race, cycling races, sports competition, air and maritime shows etc attracted visitors. The number of tourists grew from 1 million to 25 million over a period of 20 years bringing in a lot of foreign exchange. Domestic tourism was also promoted. The tourism business puts more money into circulation and the demand for and construction of better infrastructure and utilities helped the physical developments of the country.

23. With the people earning more money through increases in wages and businesses, there was a demand for housing and office buildings. New towns were planned and old towns expanded. Light rail transport and commuter trains enabled people to live away from their work places and to commute to work, contributing to the expansion of cities.

24. From the very beginning education was given priority. At times almost 25% of the national budget went to education. The education policy was directed toward providing trained personnel for industries and businesses.

25. After unemployment was almost eradicated through labour intensive industries, further enrichment could only come from higher wages. And so the focus was on hi-tech and high value added industries. Workers were trained so as to be able to earn higher salaries from doing more sophisticated and highly skilled work.

26. Offices, condominiums, shopping complexes were built to meet the needs of a growing and more prosperous population. Roads, railways, hydroelectric power plants and water supply systems were also built by the Government to meet the increasing demands of the people.

27. All these things changed the physical appearance of the country. The agrarian appearances disappeared to be replaced by the industrial landscape of new manufacturing plants and factories, roads and bridges and overhead power lines. Ownership of motor vehicles increased greatly, indicating the level of income and development of the country.

28. The country now assumes the appearance of a developed country. Shoppers throng the shopping complexes and the streets are full of well-dressed people going to and from the offices and the shopping complexes.

29. The vision for the development of the country was enunciated stage by stage. Although the Malaysian vision may not be suitable for all countries, there are elements which may be adopted by all who wish to become developed nations.

30. I believe that one of the reasons for the uprising against Governments in the Arab countries is the failure of the Governments to look after the needs of the people.

31. The greatest need is for jobs, for getting a steady income to support a decent life. Agriculture does not create enough jobs. Industry does. One hectare of land for agriculture may support one person but it can house a factory of 500 workers.

32. That was why Malaysia opted for labour intensive industries once land was no longer available for cultivation.

33. Apart from jobs for the working class, industries provided training in manufacturing. With industrial skills, expansion in all kinds of industries can be established. Soon the dependence on foreign direct investments is reduced as local people accumulate more funds and expertise to start their own industries.

34. A country is not considered developed simply because per capita income is high. Most of the oil producing countries are not considered to be developed.

35. A developed country must have a good infrastructure, an educated and well-trained work force, a large middle class and good technological and industrial capacities.

36. Infrastructure is very important because it supports a good living standard. Water and electricity must be available at all times. There should not be frequent breakdowns in the supply, especially electricity.

37. Most of the household equipment are powered by electricity. Break-down of supply will result in food being destroyed and homes, offices and shops becoming uninhabitable. Besides industries depend on a constant supply of electricity. Any failure would result in stoppage and losses.

38. The water supply and electricity require proper maintenance. For these, skilled engineers, technicians and repairmen must be trained. This helps to upgrade local industrial capacities.

39. The quality of the work must improve all the time and be aimed at achievements of world standards as befitting a developed country.

40. All these things cannot be made available instantaneously. For a poor country the development process will take time. The vision must be within the capacity of the country at any particular period. As development progresses new visions can be made.

41. An example of a vision that disregard capacity is illustrated by the leader of a poor country wanting a big department store like the one he saw in a country he visited. With the power he wielded he caused the building to be built and the goods to be displayed for sale.

42. Unfortunately his people were too poor to buy the expensive products displayed. The department store failed. This is what will happen when an ambitious leader sets targets which are not realistic and compatible with the state of development of his nation.

43. The role of the leader is crucial to the success of a vision. Even when the country has the means and potential to grow, without a leader with passion and drive it will not grow.

44. The experience of China is illustrative of this. Mao Tse Tung was a guerrilla leader who defeated the nationalist forces of Chiang Kai-Shek and set up the People's Republic of China.

45. Mao was a brilliant military leader but running a country is not the same as fighting a war. The Communist ideology which he believed was also not development oriented. As a result China remained developmentally backwards.

46. But Mao's successor Deng Xiao Peng was a completely different man. Although a Communist he was also a pragmatist and wanted China to develop. Famously he said, "It doesn't matter if the cat is black or white, as long as it catches the mouse".

47. The result is the China that we see today. Twenty years ago it was a Third World country. Today it is the second biggest economy in the world.

48. Clearly the leader of a nation plays a very crucial role in the country's development. His decision as to how the country should be developed is of critical importance. He must have passion for it. He must personally direct the implementation of his vision. He must also be well qualified in terms of knowledge in administration, in policies to follow, in finance and commerce. He must know something about the process of development which he has decided upon.

49. He needs to go on the ground, to oversee work being done, to overcome obstacles and constraints and to make sure the project is properly implemented. Visits by the head of Government at the site of construction motivate the implementers at all levels. He has to make fairly frequent visits.

50. His ministers must also be hands on. Like him they must visit and hear briefings on the progress made in the implementation of the projects.

51. Having a vision for development is essential but this alone is not enough. There must also be adequate knowledge of how the vision is to be implemented in order for the country to be developed.
