

**SPEECH BY TUN DR MAHATHIR BIN MOHAMAD AT YILDIZ TECHNICAL
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1. Firstly I would like to thank Yildiz Technical University for the invitation to talk about Malaysia's Experience in Nation Building.
2. I would like to explain a little about the background against which Malaysia's Nation Building was attempted. I must admit that we are not fully successful, although much progress has been achieved.
3. Malaysia is a multi-racial country. The Malays, Chinese and Indians who make up Malaysians people are not only divided by race but also by religion, language, culture and most importantly by economic function and wealth. The Malays are Muslim and they make up 60% of the population, the Chinese are Taoist or Buddhists while the Indian are mainly Hindus.
4. Under the British the different races are separated and perform different economic functions; the Malays being subsistence farmers or fishermen, the Chinese are urban businessmen people and Indians were workers in the rubber estates. In addition, the British allowed separate schools when the medium of instruction was the languages of the different racial groups.
5. The tendency towards friction between the different races was high. During British rule a large number of Chinese started a guerrilla war to wrest the country from the British and by extension the Malay Sultans. Being ideologically Communist they would most likely establish a republic which will mean the removal of the Malay Sultans. As a result the Malays did not support the insurrection.
6. Upon independence the first priority of the Government was to ensure racial clashes did not occur. Accordingly it was decided that all races share in the governance of the country. This resulted in peace and stability. With this the work of nation building could be undertaken.
7. To ensure that stability remains it was decided to correct the economic imbalance between the races. This task would slow down the process of development. But it was reasoned that when the disparities are reduced the tendency to friction between the races would be reduced and development would not be impeded.
8. For centuries the Malay states had depended on trade for its growth and wealth. Accordingly growing trade was a priority and looked upon as a means to build the nation.

9. The first priority of Government was to create jobs for the unemployed. Land schemes were started in which pioneer settlers were allocated 10 acres each in large estates run by Government appointed professionals.

10. This partly solved the unemployment problem. But very quickly we ran short of land. It was then decided that Malaysia should industrialise as industry creates more jobs and land use was more efficient.

11. But Malaysia did not have the needed capital. It had no technological and manufacturing know-how and it had little knowledge about the market for manufactured goods. Although it was a time when newly independent countries were nationalising foreign businesses, Malaysia decided to invite foreign investors to start industries in specially prepared industrial zones. Tax incentives were given to make the proposal more attractive.

12. The Government was interested mainly in creating jobs for the unemployed. We were not looking for revenue for the Government. So priority was given to labour intensive industries.

13. Within a short space of time, practically all the unemployed people found jobs. Some even become executives in the foreign companies.

14. Eventually Malaysians accumulated enough capital and with the experience of working and managing foreign industries were able to start their own industries.

15. The spin-offs from this foreign investment were substantial. The construction business boomed and more jobs were created. The food industries and retail businesses also took off. So did transportation, insurance and the travel industries. The economy grew at a faster rate.

16. Malaysians had always given priority to education. As Government revenue grew schools, colleges and universities were expanded, scholarships were given by the Government and private sector while the rich sent their children to foreign countries for education. As industrialisation progresses the supply of educated and trained personnel increased to meet with the demand.

17. For industries to develop there must be adequate infrastructure. The Government gave first priority to the provision and upgrading of expressways and roads, water supply system and power plants. The supply of electricity in particular was made constant as breakdowns affect industries badly.

18. But the economy was growing too fast for the Government to meet the demand for better infrastructure. It was decided to privatise not only Government companies but some Government functions and monopolies as well. Thus the postal services, telecommunication services and minor regulatory bodies were

privatised along with tolled expressways, ports and airports, electricity and water supply.

19. Privatisation not only earned for the Government money from the sale of land and buildings and other amenities to the private entities but the transfer of staff to the private sector reduced Government expenditure on salaries and allowances. In addition, when the privately run utilities or enterprises make profits, the Government collects 28% of that as corporate tax. Usually the private sector runs these facilities or services more efficiently.

20. In the meantime the export oriented foreign and locally owned industries began to increase the value of exports. The growth of industrial products and services was such that their value outstripped exports of raw material such as petroleum, palm oil, rubber etc. In fact manufactured product exports make up 82% of total exports.

21. The GDP grew by 8 - 10% p.a. and Per Capita rose to USD 8000. Since cost of living in the country is low compared with the US the purchasing power per capita is around USD 13,000.

22. More roads and expressways are built by the Government and the private sector. As transportation and movements of people improved more new housing and industrial parks were built by the private sector. New businesses were started, creating jobs and small business.

23. It was decided that tourism could contribute towards the economic growth of the country. A strong drive by the Ministry of Tourism resulted in visitors increasing from around 3 million to 24 million today.

24. Tourist business is cash business. The inflow of tourists increased the earnings of foreign exchange. Hotels were built to cater to the tourists – again creating highly paid jobs for Malaysians. Tourism earning grew until it becomes the second biggest foreign-exchange earner for the country.

25. Import duty on goods entering the country earned the Government insignificant revenue. So tax on luxury goods such as cameras, TV, watches and pens were removed. The result was to stimulate the tax-free shop business. Both Malaysians and foreign tourists do a lot of shopping in Malaysia. The tax-free shops were profitable and taxes on profits of these shops far exceed the taxes collected on imports.

26. Another source of revenue for Malaysia is education. The 60 universities and more than 350 colleges attract a lot of foreign students because most of the teaching is in English. Today some 100,000 foreign students study in Malaysia, again resulting in an inflow of money into the country.

27. Business is the biggest contributor towards wealth creation. The Government adopted the Malaysia Incorporated concept wherein the Government and the Private Sector regard each other as partners in the development of the nation.

28. In the spirit of Malaysia Incorporated Government officers worked closely with the private sector, reducing bureaucratic practices and generally providing quick and efficient service for business. It was feared that the close working relation between the Government officers and the companies might result in corruption. But in fact expediting work of Government regulations resulted in less opportunity for corruption. In business delays by Government offices are what induce corruption.

29. Malaysia had adopted the socialist five-year planning approach. The plan identified the areas to be developed or supported by the Government. Each year the budget provides funds for specific financing by the Government.

30. Government projects and expenditure help to create business opportunities for the private sector. Taking a cue from Government plans the private sector would initiate new projects to benefit from or complement Government projects.

31. The productivity of the people and the industries is very important. Very early on, it was noticed that the Japanese had rebuilt their economy so well that they became the second biggest economy in the world. Considering that their country and their industries were almost completely destroyed by WW II, the ability of the Japanese to recover and to overtake the other economies of the world verges upon a miracle.

32. Malaysia was much impressed by Japan and decided that we should look East. We still looked West but we paid greater attention to the Eastern countries like Japan and Korea.

33. Japan was already an investor in Malaysia when we launched our Look East Policy. We were interested mainly in the work ethics of the Japan. We believe this was what enabled them to succeed and rise so quickly.

34. The Japanese are, or at least were very nationalistic and were prepared to work very hard to help their country rebuild. Akio Morita, the founder of Sony Corporation tells how the Japanese workers were prepared to accept just a ball rice and some soy sauce as payment for their labour in the early years after the war.

35. Apart from working very hard and being very disciplined, they take great great pride in their work and the goods they produced. Once they accepted that they must produce quality products if they wish to compete with the West, they

took this very seriously. Soon Japanese electronic products became known for their quality, despite being cheaper than similar goods from the West.

36. Very quickly Japanese goods displaced western goods and machinery from the markets of the world.

37. We thought if we could acquire Japanese and Korean work ethics we would be able to grow faster. Accordingly we sent students and workers to Japan under the Look East Policy. Sure enough they became among the best workers in Malaysia.

38. For hundreds of years we had traded with China, Japan, India and the Arab countries. It was natural for us to copy the Japanese strategy of importing raw materials, processing and adding value to them and then export the higher value products.

39. The strategy worked well for Malaysia. In the early 90s of the last century we became the 17th biggest trading nation in the world. We are still big today with total trade volume of over 120 billion USD a year.

40. There are of course many other things that we do in order to grow the nation. But I think I have given an adequate picture of how Nation Building was achieved by Malaysia.
