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**“INSIGHTS ON GOVERNMENTAL LEARNING IN MALAYSIA”**

1. I would like to thank the organizers, the Emirate Identity Authority for this invitation to speak on the insights of Malaysia’s learning experience on Government.
2. Today’s Government have to deal with a million things. Therefore I will not be able to cover everything about governance. But I am prepared to answer questions on any issue I have not covered or on the ones I have covered.
3. Malaysia was formerly a British colony where the British advisers ruled and the Malay rulers did not. They are required to obey the advice of the British advisers.
4. British rule was authoritarian and undemocratic. But so was the rule of the Malay feudal rulers before the British who went by the title of raja or sultans, undemocratic.
5. British opened the country to Chinese and Indian immigration, making it multi-racial and multi-religions. But the races were segregated so that they never met each other or the native Malays. The Chinese lived in the towns, the Malays remained rice farmers and fishermen, while the Indians laboured in the rubber estates.
6. The Malays are all Muslims, the Chinese were Buddhists or Taoists and the Indians Hindus. Since they hardly met each other there were no racial or religious clashes under the British.
7. Yet upon independence their separation could not be continued. They had to become citizens of one country. Racial and religious clashes were avoided however by the leaders of the three communities agreeing to share the country and its political power and economy between them. This really was unprecedented. But the agreement showed the generosity of the native Malays and the maturity of the founding fathers of the country. And this unique idea of sharing came from people who had no political or Governmental experience.
8. And they also knew nothing about the rule of the people, by the people and for the people as promoted by democracy.

9. Yet at independence Malaysia decided to become a democratic nation to be ruled by an elected parliament with a constitutional monarch, chosen from among the nine state rulers for a five-year term.

10. Malaysia decided to use as model the British Government which was and still is a Parliamentary democracy with a constitutional non-executive monarch. A few senior Malays largely from the administration who were unhappy with British rule set up a political party and gained the support of the people to struggle for independence and eventually to rule the country.

11. Fortunately the political ideas of the founding fathers of the party were popular. Nearly 90% of the people agreed with the new ideas and supported the independence struggle and the Government to be formed after independence.

12. The majority of the people were truly united in wanting an end to British rule as well as the party to form the Government to succeed the British. They did not split up into different ideological or tribal parties upon independence. Such a split would have resulted in turmoil and even civil war. The few who were opposed to the party were rejected by the voters.

13. The support for the new Government continued long after independence. A strong unchanging Government was the result and with this the Government was able to govern, to formulate policies, laws and rules for the governance of the country and to implement them. This is important as changes of Governments and policies are disruptive and obstruct development.

14. To some extent we continued the British administrative system. Had we fought a war of independence, then the fighters would want to rule the country. Fighters are good at fighting but administering a country is not the same as fighting a guerrilla war of liberation.

15. Since we did not fight a war, the people who took over the administration were those who had served under British Officers in the colonial Government. It was not too difficult for them to take over the job of their departing British bosses. The administrative machinery was practically intact and was able to provide good administration.

16. The transition was smooth, although not so dramatic or thrilling as when the liberation is through hard fought war.

17. The first elected Government was also led by people familiar with administrative procedures and the role of Governments. They knew the rules and laws and the extent of their authority. The old laws were maintained until such time when they became redundant and are replaced with new laws.

18. The departments were re-designated as Ministries presided over by an elected minister. The departmental heads became secretaries to the ministries.

19. The Malaysian Civil Service is permanent and professional. They serve and take orders from the elected Government. They are not political except for voting in elections. A change of government does not affect them. They continued to serve the new masters. If they wish to go into politics they must resign. Thus a number of the leaders were former civil servants.

20. This professionalism includes the police and the armed forces. They too serve the elected Government and carry out its policies.

21. Thus when the independent Government took over, there was no necessity to change department heads or any of the staff. The same would happen should the Opposition parties' wins.

22. With this administrative machinery ready to serve the new Government, it was free to decide on new policies, plans and strategies.

23. As a democratic Government, the need to sustain voter support is paramount. Under British authoritarian rule the views and needs of the people could be ignored. But if the independent Government was to survive it had to tackle the problems faced by the people.

24. The first need of the people was for employment and livable income. At independence 70% of the workforce was unemployed. They could cause trouble to the Government.

25. Accordingly the Government moved fast to open up land for the landless. The Government helped plant rubber and palm oil and other crops. Settlers on the land scheme were allocated 10 acres of which 1 acre was for housing and a kitchen garden.

26. This scheme was managed by a Government plantation agency. Later when the plantation matured the agency went into palm oil refining, transport, shipping and export of the products. Today with 2 million acres of plantation, the agency has become perhaps the biggest plantation company in the world. It now invests at home and abroad in various businesses.

27. But after a while there was no more land to open but unemployment was not yet resolved. To cater for the rest, the Government decided to encourage private industries. Not having the knowhow, the capital or knowledge of the market, the Government decided to invite foreign investors to start labour intensive industries.

28. The employment created was so big that Malaysia had to allow foreign labour to come in. There was by then hardly any unemployment in Malaysia.

29. To encourage foreign direct investments the Government legislated for tax free holidays for investors, opened up industrial parks provided with electricity, water supply and roads to the commercial centers, the ports and airports.

30. A business friendly policy was adopted by Government so that investors did not suffer from obstructive bureaucratic procedures. It was noticed that Japan's post-war recovery was due to close relation between Government and the private sector. Japan was condemned for what was labeled as Japan Incorporated.

31. We saw nothing wrong in the good relation between Government and the private sector. After all a large part of Government revenue is from corporate tax which at one time was 45% of profit. Now it has been reduced to 25%. It is still big. The more profit the companies make the more tax they pay. So when Government helps private companies to make profit, it is actually working for its share of the profit. And that profit contributes towards salaries for civil servants.

32. Accordingly we adopted Japan's policy and call ourselves Malaysia Incorporated.

33. With full employment the people's expectation of a better life increased. They want better pay and better standard of living.

34. We noticed that in Europe higher wages for workers was due to strikes by unions. The strikes damaged the industries and increased the prices of their products. Their high price products eventually lost to the products of Japan and Korea and now China. Increases of pay may be good for workers but they are not good for business.

35. We needed to increase pay for our workers but not through strikes. The pay increases must be through higher productivity. For this our workers must be better educated and trained.

36. Accordingly the Government allocated almost 25% of the annual budget to education and training. Malaysians were sent all over the world to be trained in all the professions and to acquire necessary skills. At home new universities and training institutes were set up.

37. With the availability of better educated and trained workers we encouraged hi-tech and high value added industries. The workers enjoy higher incomes without losing the competitiveness of their products in the market.

38. The rise in income increased the purchasing power of the people. New businesses were started and the construction industry grew to provide housing, offices, and business premises. The towns and cities grew rapidly.

39. The need for living space resulted in the demand for bigger and more efficient infrastructure. Roads and expressways were constructed criss-crossing the whole country thus facilitating movements of people and goods. Along the highways new towns and industrial parks grew, largely through private sector initiatives. Transportation improved further with the double-tracking and electrification of the railways.

40. Power plants and water supply were increased to meet the needs of the affluent residences in the new towns as well as the rural areas which demand for the same amenities as the urban areas.

41. The Government legislated new laws to govern new businesses and other activities. The outdated British laws was replaced to keep up with rapid growth. The restrictions which stood in the way of business development were removed and replaced with new rules, procedures, laws and practices.

42. The administrative machinery was retrained and equipped with new facilities to speed up bureaucratic processes. A good training school for administrators and diplomats enabled the quality of Government personnel to be upgraded. Higher educational standards were required of those wanting to join the civil service.

43. Of particular importance is the training in financial management. The Government relies on taxes to fund administration and development costs. The collection of taxes is therefore very important. The system underwent several changes, especially income tax collection. Finally income and corporate tax collection was given to an independent body.

44. Collection of taxes in Malaysia is very good. There were some evasions but the penalty for evading tax is very severe. Most people and business pay taxes in time.

45. The petroleum industry is monopolised by Government. Petronas the national petroleum company is involved in all aspects of the industry, from prospecting to production, marketing and shipping, pipeline construction, petrochemical industries and gas liquefaction.

46. But room is left for the private sector in the construction of platforms, barges and ancillary equipments and their operations. Some of these companies now operate around the world.

47. The Government collect royalty from oil and gas. But the oil and gas industry also yield a substantial amount of revenue for the Government. However most of the petrol produced is used locally. Government subsidises the price.

48. The Ministry of Finance collects and manages the Consolidated Fund. The budget is prepared every year.

49. A feature that Malaysia learnt from Socialist countries is development planning. Each plan covers a period of five years and money for development projects come mainly from taxes collected by the treasury and in some cases loans from commercial banks. Malaysia being never received financial aid from powerful countries. This prevents Malaysia from being put under the influence of foreign countries.

50. While the Government is focussed on administering and developing Malaysia, it had also to ensure political stability. The multi-racial multi-religion population required careful handling.

51. The opposition is made up of race/religion based parties. Invariably they play on religion and racial issues to attack the multi-racial centrist coalition Government.

52. The strongest opposition came from the Islamic party which from the beginning declared that the Muslims in the Government party are kafirs because they work with non-Muslims. This won them considerable support among rural Muslims but not enough to defeat the coalition. However now they also work with the non-Muslims because they need their support. But they claim that they do not become kafir non-believers because of that.

53. On the other hand the extreme Chinese party rejected the idea of sharing power with the Malays. But today they, too, find it necessary to work with the Malay Islamic Party so as to win elections.

54. I will not elaborate on how the Government manage the political attacks from these parties except that by being centrists and caring for people of all races and religions, the Governing multi-racial Coalition is able to continue getting support of the majority of the people.

55. Another area which was unfamiliar to the Government of independent Malaysia is foreign affairs. Generally the policy is to be friendly with all countries except Israel with which it never had diplomatic relation.

56. Initial conflicts with neighbours were reduced by the creation and membership of a regional grouping of Southeast Asian Countries (ASEAN).

Disputes were resolved through this group, but also by bilateral negotiations and through the World Court.

57. Attacks against our currency in 1997 – 98 was warded off by establishing currency control. This was possible because our savings rate is very high at 40% of GDP. The availability of domestic funds reduced the need to borrow from foreign sources. Malaysia remains neutral.

58. We learnt a lot about finance and currency management while dealing with the financial crisis. The exchange rate remains high even when control was stopped.

59. Truly there is a lot to learn about Government that is not always available in books or even in the centers of learning. Experience is the best teacher.

60. However, every decision carries a risk. There are really no perfect decision. The result, whether, good or bad, must be managed i.e. adjusted or corrected or even reversed.

61. Despite our experience and success in the past there is no guarantee we will succeed in the future. That is the biggest lesson we have learnt about Government.

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