

Malaysia as a fully developed country politics essay



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The purpose of this paper is to present before you some thoughts on the future course of our nation and how we should go about to attain our objective of developing Malaysia into an industrialised country. Also outlined are some measures that should be in place in the shorter term so that the foundations can be laid for the long journey towards that ultimate objective.

Hopefully the Malaysian who is born today and in the years to come will be the last generation of our citizens who will be living in a country that is called 'developing'. The ultimate objective that we should aim for is a Malaysia that is a fully developed country by the year 2020.

What, you might rightly ask, is 'a fully developed country'? Do we want to be like any particular country of the present 19 countries that are generally regarded as 'developed countries'? Do we want to be like the United Kingdom, like Canada, like Holland, like Sweden, like Finland, like Japan? To be sure, each of the 19, out of a world community of more than 160 states, has its strengths. But each also has its fair share of weaknesses. Without being a duplicate of any of them we can still be developed. We should be a developed country in our own mould.

Malaysia should not be developed only in the economic sense. It must be a nation that is fully developed along all the dimensions: economically, politically, socially, spiritually, psychologically and culturally. We must be fully developed in terms of national unity and social cohesion, in terms of our economy, in terms of social justice, political stability, system of government, quality of life, social and spiritual values, national pride and confidence.

Malaysia As A Fully Developed Country – One Definition

By the year 2020, Malaysia can be a united nation, with a confident Malaysian society, infused by strong moral and ethical values, living in a society that is democratic, liberal and tolerant, caring, economically just and equitable, progressive and prosperous, and in full possession of an economy that is competitive, dynamic, robust and resilient.

There can be no fully developed Malaysia until we have finally overcome the nine central strategic challenges that have confronted us from the moment of our birth as an independent nation.

The first of these is the challenges of establishing a united Malaysian nation with a sense of common and shared destiny. This must be a nation at peace with itself, territorially and ethnically integrated, living in harmony and full and fair partnership, made up of one ' Bangsa Malaysia' with political loyalty and dedication to the nation.

The second is the challenge of creating a psychologically liberated, secure, and developed Malaysian Society with faith and confidence in itself, justifiably proud of what it is, of what it has accomplished, robust enough to face all manner of adversity. This Malaysian Society must be distinguished by the pursuit of excellence, fully aware of all its potentials, psychologically subservient to none, and respected by the peoples of other nations.

The third challenge we have always faced is that of fostering and developing a mature democratic society, practising a form of mature consensual, community-oriented Malaysian democracy that can be a model for many developing countries.

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The fourth is the challenge of establishing a fully moral and ethical society, whose citizens are strong in religious and spiritual values and imbued with the highest of ethical standards.

The fifth challenge that we have always faced is the challenge of establishing a matured, liberal and tolerant society in which Malaysians of all colours and creeds are free to practise and profess their customs, cultures and religious beliefs and yet feeling that they belong to one nation.

The sixth is the challenge of establishing a scientific and progressive society, a society that is innovative and forward-looking, one that is not only a consumer of technology but also a contributor to the scientific and technological civilisation of the future.

The seventh challenge is the challenge of establishing a fully caring society and a caring culture, a social system in which society will come before self, in which the welfare of the people will revolve not around the state or the individual but around a strong and resilient family system.

The eighth is the challenge of ensuring an economically just society. This is a society in which there is a fair and equitable distribution of the wealth of the nation, in which there is full partnership in economic progress. Such a society cannot be in place so long as there is the identification of race with economic function, and the identification of economic backwardness with race.

The ninth challenge is the challenge of establishing a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient.

We have already come a long way towards the fulfilment of these objectives. The nine central objectives listed need not be our order of priorities over the next three decades. Most obviously, the priorities of any moment in time must meet the specific circumstances of that moment in time.

But it would be surprising if the first strategic challenge which I have mentioned - the establishment of a united Malaysian nation - is not likely to be the most fundamental, the most basic.

Since much of what I will say this morning will concentrate on economic development, let me stress yet again that the comprehensive development towards the developed society that we want -however each of us may wish to define it -cannot mean material and economic advancement only. Far from it. Economic development must not become the be-all and the end-all of our national endeavours.

Since this Council must concentrate on the issues of economic development and economic social justice, which for this nation must go hand in hand for the foreseeable future, let me expand on the perception of the central strategic challenges with regard to these two vital objectives.

At this point it is well to define in greater detail the objective of establishing an economically just society.

Of the two prongs of the NEP no one is against the eradication of absolute poverty -regardless of race, and irrespective of geographical location. All Malaysians, whether they live in the rural or the urban areas, whether they

are in the south, north, east or west, must be moved above the line of absolute poverty.

This nation must be able to provide enough food on the table so that not a solitary Malaysian is subjected to the travesty of gross under-nourishment. We must provide enough by way of essential shelter, access to health facilities, and all the basic essentials. A developed Malaysia must have a wide and vigorous middle class and must provide full opportunities for those in the bottom third to climb their way out of the pit of relative poverty.

The second prong, that of removing the identification of race with major economic function is also acceptable except that somehow it is thought possible to achieve this without any shuffling of position. If we want to build an equitable society than we must accept some affirmative action. This will mean that in all the major and important sectors of employment, there should be a good mix of the ethnic groups that make up the Malaysian nation. By legitimate means we must ensure a fair balance with regard to the professions and all the major categories of employment. Certainly we must be as interested in quality and merit. But we must ensure the healthy development of a viable and robust Bumiputera commercial and industrial community.

A developed Malaysia should not have a society in which economic backwardness is identified with race. This does not imply individual income equality, a situation in which all Malaysians will have the same income. This is an impossibility because by sheer dint of our own individual effort, our own individual upbringing and our individual preferences, we will all have

different economic worth, and will be financially rewarded differently. An equality of individual income as propounded by socialists and communists is not only not possible, it is not desirable and is a formula for disaster.

But I do believe that the narrowing of the ethnic income gap, through the legitimate provision of opportunities, through a closer parity of social services and infrastructure, through the development of the appropriate economic cultures and through full human resource development, is both necessary and desirable. We must aspire by the year 2020 to reach a stage where no-one can say that a particular ethnic group is inherently economically backward and another is economically inherently advanced. Such a situation is what we must work for efficiently, effectively, with fairness and with dedication.

“ A full partnership in economic progress” cannot mean full partnership in poverty. It must mean a fair balance with regard to the participation and contribution of all our ethnic groups - including the Bumiputeras of Sabah and Sarawak - in the high-growth, modern sectors of our economy. It must mean a fair distribution with regard to the control , management and ownership of the modern economy.

In order to achieve this economically just society, we must escalate dramatically our programmes for national human resource development. There is a need to ensure the creation of an economically resilient and fully competitive Bumiputera community so as to be at par with the NonBumiputera community. There is need for a mental revolution and a cultural transformation. Much of the work of pulling ourselves up by our boot-

straps must be done ourselves. In working for the correction of the economic imbalances, there has to be the fullest emphasis on making the needed advances at speed and with the most productive results – at the lowest possible economic and societal cost.

With regard to the establishment of a prosperous society, we can set many aspirational goals. I believe that we should set the realistic (as opposed to aspirational) target of almost doubling our real gross domestic product every ten years between 1990 and 2020 AD. If we do this, our GDP should be about eight times larger by the year 2020 than it was in 1990. Our GDP in 1990 was 115 billion Ringgit. Our GDP in 2020 should therefore be about 920 billion Ringgit in real (1990 Ringgit) terms.

This rapid growth will require that we grow by an average of about 7 per cent (in real terms) annually over the next 30 years. Admittedly this is an optimistic projection but we should set our sights high if we are to motivate ourselves into striving hard. We must guard against ‘growth fixation’, the danger of pushing for growth figures oblivious to the needed commitment to ensure stability, to keep inflation low, to guarantee sustainability, to develop our quality of life and standard of living, and the achievement of our other social objectives. It will be a difficult task, with many peaks and low points. But I believe that this can be done.

In the 1960s, we grew by an annual average of 5.1 per cent; in the 1970s, the first decade of the NEP, Malaysia grew by an average of 7.8 per cent; in the 1980s, because of the recession years, we grew by an annual average of 5.9 per cent.

If we take the last thirty years, our GDP rose annually in real terms by an average of 6.3 per cent. If we take the last twenty years, we grew by an annual average of 6.9 per cent. What is needed is an additional 0.1 per cent growth. Surely if we all pull together God willing this 0.1% can be achieved.

If we do succeed, and assuming roughly a 2.5 per cent annual rate of population growth, by the year 2020, Malaysians will be four times richer (in real terms) than they were in 1990. That is the measure of the prosperous society we wish and hopefully we can achieve.

The second leg of our economic objective should be to secure the establishment of a competitive economy. Such an economy must be able to sustain itself over the longer term, must be dynamic, robust and resilient. It must mean, among other things: A diversified and balanced economy with a mature and widely based industrial sector, a modern and mature agriculture sector and an efficient and productive and an equally mature services sector; an economy that is quick on its feet, able to quickly adapt to changing patterns of supply, demand and competition; an economy that is technologically proficient, fully able to adapt, innovate and invent, that is increasingly technology intensive, moving in the direction of higher and higher levels of technology; an economy that has strong and cohesive industrial linkages throughout the system; an economy driven by brain-power, skills and diligence in possession of a wealth of information, with the knowledge of what to do and how to do it; an economy with high and escalating productivity with regard to every factor of production; an entrepreneurial economy that is self-reliant, outward-looking and enterprising; an economy sustained by an exemplary work ethic, quality

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consciousness and the quest for excellence; an economy characterised by low inflation and a low cost of living; an economy that is subjected to the full discipline and rigour of market forces.

Most of us in this present Council will not be there on the morning of January 1, 2020 Not many, I think. The great bulk of the work that must be done to ensure a fully developed country called Malaysia a generation from now will obviously be done by the leaders who follow us, by our children and grandchildren. But we should make sure that we have done our duty in guiding them with regard to what we should work to become. And let us lay the secure foundations that they must build upon.

Some Key Public Sector Economic Policies

Some Key Public Sector Economic Policies For The Forseeable Future

Since the early 1980s, we have stressed that this country will rely on the private sector as the primary engine of economic growth. In a way we were ahead of the rest of the world, even the developed countries in entrusting economic growth to the private sector.

In the early years, our fledgling private sector could not fully respond to the challenge that was issued. Then came the unpredictable and difficult recession and slowdown years. However in the last three years the private sector has bloomed and responded. The policy is now bearing fruit. The outcome: in 1988, we grew in real terms by 8.9 per cent; in 1989, by 8.8 per cent; in 1990, by 9.4 per cent without expansionary budgetting by the

Government. Even the tiger economies of North East Asia have not done so well.

No nation can afford to abandon a winning formula. And this nation will not. For the foreseeable future, Malaysia will continue to drive the private sector, to rely on it as the primary engine of growth.

In the meantime the Government will continue to downsize of its role in the field of economic production and business. The State cannot of course retreat totally from the economic life of Malaysia. It will not abdicate its responsibility for overseeing and providing the legal and regulatory framework for rapid economic and social development.

The Government will be pro - active to ensure healthy fiscal and monetary management and the smooth functioning of the Malaysian economy. It will escalate the development of the necessary physical infrastructure and the most conducive business environment - consistent with its other social priorities. And where absolutely necessary the Government will not be so completely bound by its commitment to withdrawal from the economic role, that it will not intervene. It will play its role judiciously and actively.

The process of de-regulation will continue. There can be no doubt that regulations are an essential part of the governance of society, of which the economy is a part. A state without laws and regulations is a state flirting with anarchy. Without order, there can be little business and no development.

What is not required is over regulation although it may not be easy to decide when the Government is over regulating.

Wisdom lies of course in the ability to distinguish between those laws and regulations which are productive of our societal objectives and those that are not; and it lies in making the right judgements with regard to the trade - offs. Thus Governments will be neither foolish nor irresponsible, and will cater to the needs of the wider society as well as the requirements of rapid growth and a competitive, robust and resilient economy. It will be guided by the knowledge that the freeing of enterprise too - not only laws and regulations, and state intervention - can contribute to the achievement of the wider social objectives. In this light and given the fact that there are clear areas of unproductive regulation which need to be phased out, you can expect the process of productive de- regulation to continue. The recent move of Bank Negara to de-regulate the BLR regime is an example in point.

Privatisation will continue to be an important cornerstone of our national development and national efficiency strategy. This policy is not founded on ideological belief. It is aimed specifically at enhancing competitiveness, efficiency and productivity in the economy, at reducing the administrative and financial burdens on the Government and at expediting the attainment of national distributional goals.

In implementing our privatisation policy, the Government is fully aware of the need to protect public interest, to ensure that the poor are provided access to essential services, to guarantee that quality services are provided at minimum cost, to avoid unproductive monopolistic practices and to ensure the welfare of workers.

There will be problems. No endeavour comes without a price tag. But it is clear enough that this policy has thus far generated positive results and we can expect its implementation to be accelerated in the future. With the completion of the Privatisation Master Plan Study, I believe that many of the bottlenecks and rigidities that obstruct the progress of the needed privatisation will be removed, thus accelerating its smooth implementation.

There will be in the years ahead an Accelerated Industrialisation Drive, a drive that is not based on a fascination with industry but on the simple truth that if we want to develop rapidly -in a situation where the developed economies will be moving out of industrialisation into a post - industrial stage - this is the way to go. If we are to industrialise rapidly, we will need to capitalise on our national strengths and forcefully tackle our weaknesses.

In pursuit of this policy, the Government will need to deal with the problem of a narrow manufacturing base. In 1988, 63 per cent of total Malaysian manufactured exports came from the electrical and electronic and textile industries. Electronics alone accounted for 50 per cent of total manufactured exports. We must diversify.

Despite the most rapid development in the free trade zones insignificant demand has been generated for local intermediate products. We will have to deal with the problem of weak industrial linkages.

There is inadequate development of indigenous technology. There is too little value- added, too much simple assembly and production. There is also a need to counter rising production costs brought about by rising costs of labour, raw materials and overheads by improving efficiency and

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productivity. There is a serious shortage of skilled manpower. All these and many more issues will need to be addressed.

Small and medium scale industries have an important role to play in generating employment opportunities, in strengthening industrial linkages, in penetrating markets and generating export earnings. They have a crucial role as a spawning ground for the birth of tomorrow's entrepreneurs.

The Government will devise appropriate assistance schemes and will seek to raise the level of management expertise, technological know-how and skills of the employees in this very important and in many ways neglected sector of our economy.

The SMIs will be one of the primary foundations for our future industrial thrust. The Government is fully committed to its healthiest development.

Just as we must diversify the products we export so must we diversify the markets we export to. Malaysian exporters must look also at the non - traditional markets. It will require new knowledge, new networks, new contacts and new approaches towards dealing with unfamiliar laws, rules and regulation. It will be uncomfortable but it would be a mistake to consider that it is not worth the discomfort to deal with these markets. Alone they may be small but cumulatively the market of the developing Asian, African and Latin America countries are big. If the developed countries find it worth while to export to these markets then it must be worth while for us also. The Government will help but the private sector must play their part. Reliance on export- led growth is still the way to rapid growth.

Entry into the world market pits our companies against all comers and subjects them to the full force of international competition. This is a challenge we must accept not simply because the domestic market is too small but because in the long run it will actually enrich our domestic market and reduce our dependence on export.

We must persist with export-led growth despite the global slowdown, despite the rise of protectionism, trade blocs and managed trade. When the going is tougher, we must not turn inward. We simply have no choice but to be more lean, more resourceful, more productive and generally more competitive, more able to take on the world. 56. The liberalisation of the Malaysian economy has had beneficial result and contributed towards a more dynamic growth.

Obviously, liberalisation must be undertaken responsibly and in stages so as not to create economic uncertainty and impose excessive structural adjustment costs. We should take into the fullest consideration Malaysia's capacity to undertake liberalisation. We should not dismiss the infant industry argument, but we should not bow to illegitimate pressure.

At the same time, productive liberalisation ensures that our private sector will be less reliant on artificial profits and on protection, which benefits some producers at the expense of consumers and other producers. Infants must grow up. They must grow up to be sturdy and strong. And this cannot be done if they are over-protected.

For reasons that are obvious, the Government will continue to foster the inflow of foreign investment. This is essential for Malaysia's Accelerated
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Industrialisation Drive. Again, we will not abandon a winning strategy. But we will fine-tune it to ensure that measures are in place to ensure that Malaysia maximises the net benefit from the inflow of foreign investment.

In the past, the domestic private sector has largely failed to meet the targets set in successive Malaysia Plans. Apparently domestic investors feel that the Government has not devoted enough effort to the fostering of domestic investment as we have devoted to those from overseas. This is not completely true but we will redress the situation as we get better feed back.

Small and medium scale enterprises must be assisted to grow bigger.

Surplus savings and domestic capital must be more productively channeled into investments. Entrepreneurs must be spawned. Where necessary, technological and training help must be extended; and infrastructural support must be given.

It is worthwhile to stress again that the development that we need cannot take place without the infrastructural underpinning. We must keep one step ahead of demand and need. In the recent Budget, we clearly stated what we will do in the shorter term. The Sixth Malaysia Plan will make clear what we will do in the medium term while the second outline perspective Plan will indicate the direction over the long term. The Government is fully aware of the infrastructure bottlenecks and of the need for massive investments in the years to come. We will not let growth to be retarded by excessive congestion and investment indigestion, as has happened in many countries.

In our drive to move vigorously ahead nothing is more important than the development of human resources.

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From the experience in the last two decades of all the economic miracles of the countries that have been poor in terms of “ natural resources”, it is blindingly clear that the most important resource of any nation must be the talents, skills, creativity and will of its people. What we have between our ears, at our elbow and in our heart is much more important than what we have below our feet and around us. Our people is our ultimate resource. Without a doubt, in the 1990s and beyond, Malaysia must give the fullest emphasis possible to the development of this ultimate resource.

Malaysia has one of the best educational systems in the Third World. But for the journey that we must make over our second generation, new standards have to be set and new results achieved.

We cannot but aspire to the highest standards with regard to the skills of our people, to their devotion to knowhow and knowledge upgrading and self-improvement, to their language competence, to their work attitudes and discipline, to their managerial abilities, to their achievement motivation, their attitude towards excellence and to the fostering of the entrepreneurial spirit.

We cannot afford to neglect the importance of entrepreneurship and entrepreneurial development, which goes, of course beyond training and education. We must ensure the correct mix with regard to professionals, sub-professionals, craftsmen and artisans, and the correct balance with regard to those with competence in science and technology, the arts and social sciences.

In the development of human resources we cannot afford to neglect half the population i. e. the Bumiputeras. If they are not brought into the
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mainstream, if their potentials are not fully developed, if they are allowed to be a milestone around the national neck, then our progress is going to be retarded by that much. No nation can achieve full progress with only half its human resources harnessed. What may be considered a burden now can, with the correct attitude and management be the force that lightens our burden and hasten our progress. The Bumiputeras must play their part fully in the achievement of the national goal.

Inflation is the bane of all economic planners. Fortunately except during the first oil shock when inflation went up to 17%, Malaysia has managed to keep inflation low. We must continue to keep it low. The Government, the business sector, and the people must be committed to keeping it low. The only real way to combat inflation is to live within one's means. If we cannot afford we just don't buy. In Malaysia this is possible for we can produce practically all we need in terms of food, shelter and clothing. When recently we had a recession, life was bearable because we were able to buy our needs at roughly the same price i. e. we had practically no inflation. Now that we have more money, demand pull is slowly forcing prices up. So although we may be more prosperous now, although we may be financially wealthier now, but in terms of purchasing power we are not as well-off as we should be.

The public must understand what causes inflation and must be disciplined enough to combat it . In some countries when inflation rates go up to thousands of per cent per year, Governments have been changed again and again without inflation being contained. The reason is that the people are not disciplined and prepared to restrain themselves. No Government can put a

stop to inflation unless the people are prepared to accept the discomfort of austerity.

In the fight against inflation nothing is more effective than education and discipline among the people.

In an interdependent trading world, the exchange rate plays a vital role. Too cheap a currency will increase import bills and debt payment but it will make exports competitive. But the full benefit of a low exchange rate on export can be negated by the cost of imported material which go into the exported products. A high currency value will “enrich” our people, particularly in terms of buying imported luxuries but our exports will not be competitive and the economy will eventually be adversely affected.

Clearly the management of the exchange rate is of extreme importance to the progress of our nation. There is only a limited ability to manipulate. In the final analysis it is how we balance our trade that will determine how our currency is valued. Malaysia must learn to be competitive through higher productivity rather than through manipulating exchange rates. Again the people must understand their role, particularly with regard to productivity.

In a world of high technology Malaysia cannot afford to lag behind. We cannot be in the front line of modern technology but we must always try to catch up at least in those fields where we may have certain advantages. We have already adopted a National Plan of Action for Industrial Technology Development. This is the easy part. We must now proceed expeditiously to the enormously difficult task of implementation.

The Government will certainly provide the necessary commitment and leadership to this national endeavour. The institutional and support infrastructure will be put in place to ensure rapid, realistic, focussed and market - driven development of our technological capabilities. But let us never forget that technology is not for the laboratory but the factory floor and the market. The private sector and our people must respond. Far too often the results of research are ignored in favour of the tried and tested moneyspinners. It has been said that the secret of Japan's success is its skill in applying research results to marketable products. If we don't do this we are going to be left behind whatever may be the level of our technology.

While increasing our industrial manufacturing sector, Malaysia must make sure that our agriculture and services sector will not be neglected. We must advance. We must strive for efficiency, modernity and competitiveness. These should be the key guiding principles of our national policy towards agriculture, tourism and the fullest development of the entire services sector.

Nor can we afford to neglect the rural sector of our economy and society. In the years ahead, we must work for a second rural development transformation, restructuring the villages so as to be compatible with both agriculture and modern industry. Less and less farmers should produce more and more food, thus releasing manpower for an industrial society.

While doing all these we must also ensure that our valuable natural resources are not wasted. Our land must remain productive and fertile, our atmosphere clear and clean, our water unpolluted, our forest resources

capable of regeneration, able to yield the needs of our national development. The beauty of our land must not be desecrated - for its own sake and for our economic advancement.

In the information age that we are living in the Malaysian society must be information rich. It can be no accident that there is today no wealthy, developed country that is information -poor and no information-rich country that is poor and undeveloped.

There was a time when land was the most fundamental basis of prosperity and wealth. Then came the second wave, the age of industrialisation. Smokestacks rose where the fields were once cultivated. Now, increasingly, knowledge will not o