



STRATEGIES for Economic Development

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My first point is that, there is no one strategy. Just like there is no one formula for a happy family. Each country, each society has to determine its own strategy. Many of us in Asia have made mistakes by following western models entirely or in its entirety, and recognised that it really doesn't work. This is why so many developing countries around the world, since they obtained independence especially after the second World War, Latin America; Africa; Asia, have not done well enough. We in Asia, have done much better than other continents in the Third World. That's because, I think, we were more pragmatic. I'd also like to underline the fact that Asia is dynamic. I was in France when it struck me that in a great industrial country like France, the people attending a conference there were impressed with what Malaysia did. Not necessarily with all the details, but with the fact that this small country stood up to all this orthodoxy and would do it our way. To do it differently, exceptionally. So I think we have to recognise in Asia that we are dynamic, we have not lost the battle to excel. This is but a temporary phase in our evolution.

The next point I'd like to make is, please recognise that globalisation is real. Unless we recognise this tremendous tide, like we went through the agricultural revolution, the industrial revolution, the technological revolution, information revolution, this is globalisation, a different phase. And whether we like it or not, we have to accept and address ourselves to it and move along. In terms of defining our own strategy for our own country, we have to draw on the knowledge all over the world. Let's not be insular, let's not be secular. But one thing we must recognise, we have to be holistic. We have to be holistic, meaning we have to be comprehensive. We have to be wholesome. In talking about economic strategies, for heaven's sake, don't make the mistake others have made - that we should only be concerned with economic aspects of economic development. Economic development is all encompassing. Social economic development with equity, harmony and a system which brings about peace. Ask yourself for one word that crystallises what we all ask for in life. It is not economic well-being. Anyone out there can give me one word? "Happiness"? Exactly. You don't have to be rich to be happy. You don't have to be powerful to be happy. You just need to have the basic needs. Of course, we cannot be happy too long if you are hungry too long. You can't say you are happy and live on just a dollar a day. There are things you want in life. But happiness is all encompassing, you need good health, you need charitable nature, you need good education, you need to live with your fellow beings in harmony. The other point is, we all have self-individual pride and self-respect. And there is danger with globalisation that we may be losing our national sovereignty. We must be able to maintain our own strong Asian values. And there are Asian values, which are different from European and American and other values. Preserve those values. But benefit from the advantages of globalisation. As I said strategy differs according to the population of our country, the make-up, the resources. Now you can't say you can't apply the same strategy for economic strategy in Japan or in Singapore and Indonesia. Singapore has no resources and has done remarkably well. The only resource is its human resource, its manpower.

You need to go high-tech. But in countries with large populations, you can't be purely high tech. You have to be labour-intensive initially at least. And you have to move through different phases of strategy. So you cannot apply the same strategy. We have some pride on the fact that we have been very successful in social engineering, which I think is quite unprecedented worldwide. Given our racial composition, given the fact that we are not an old country in terms of independence, only 40 years old. What we have done through the new economic policy, the national development policy, in social engineering, I think is quite remarkable because if we did not have that, I think we might have really moved and progressed very slowly and would run the greater risk of disharmony and disruption. Of course, not everybody is happy with the policies. But, it is a question of choice, it's a question of trade-off. That is a strategy in economic development. The challenge now, however, and this is sometimes regarded as a sensitive issue, is how you balance efficiency with equity? If you go all out for efficiency, the depressed groups, disadvantaged groups, the underprivileged groups not necessarily along racial lines but anywhere, you can have the same; say the Filipinos, there are the very rich and the very poor. Perhaps we need more equity not only in Philippines, Malaysia, Singapore, but everywhere.



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But you've got to balance it. If you go too much into equity, then you sacrifice on efficiency. I think we got the taste in Malaysia's experience. My personal view, where we have achieved a great deal in social engineering and achieved the objective of greater equity and balance. But now, we have to move more into the realms of efficiency. In this is the challenge. But what has been our formula for success? And I think I take pride in saying that we have been successful. This is an aberration. Two years of crisis is nothing in terms of our country's history. Particularly if we learn from the lessons of some of our failures. And I am looking at it on broad perspective.

We didn't have hang-ups in 'isms'. We must have socialism, we must have communism. I think if we have any "ism", I think it is pragmatism. And we adapted as we moved along. We are a very open economy. We have never been closed like some other economies that I can think of and you can think of. Why? Because we recognise that we are not such a large country and population, only 20 million. And you must bring in foreign investors, you must bring in foreign technology. Otherwise you don't move. We become like a frog in the well. We have not been highly protective in our import duties. And our monetary policies have been very disciplined. We never had inflation like some countries in Latin America, 100% - 200%. So we have exercised considerable discipline. There also exists a balance between rural and urban development. Many of you, especially the young leaders here may not be aware of the 'red book' that we used to have. This was about 10-20 years ago, and that was what broke the militant communism. I think there are only two countries in the world that fought against militant communism and won - the Philippines and Malaysia. And it was a real life and death struggle. The red book - in every district they had a chart. And the Prime Minister Tun Razak those days would go anywhere, anytime, surprise the officials and say, "Look, what are your plans?" They would say, "I want to build a bridge here, build a road there, increase the productivity here, get the population settled here." He'd say, "Alright", and suddenly he'd drop in six months later and say, "Where is the bridge you said you were going to build?" The guy would run around and say, "Look, look, its coming..." "No, you said six months means I want it in six months, if this is not ready - then you are removed", "Sack the fellow!" So the civil service really had to be on its toes. And you delivered goods and service to the masses and that's why our poverty rate was considerably reduced. But it has to be a balanced development in economic strategising. Otherwise, you have a well urban population and a poor rural population and particularly if it is along racial lines, you are asking for trouble.

Political stability is paramount in economic planning, strategising and implementation. If you don't have peace, you don't have political stability and all your five-year plans just appear like blueprints. But having said this, you can plan, you can develop, you can feel a sense of achievement. But things can suddenly go wrong. And this is something we have to recognise. You can't plan as if you are an island. You are in a global economy. The immediate precipitation of the prices in Asia was the rapid immediate withdrawal of hot funds. Not FDIs - Foreign Direct Investments come in is long-term capital, they invest in plants and machinery - you can't carry it all and go away. Of course, a slack in economic growth is due to the lack or insufficiency of domestic as well as foreign long-term capital. But the crisis itself was caused by hot capital that just ran away. I know from my own experience in the company that I work that one very major foreign bank, as soon as they smelled that there was something going wrong, they just withdrew funds from their clients. What would you do if you borrowed US\$100 million? And the bank just pulled the rug from under your feet? You can't move, where do you go? That is also the problem of globalisation. It is then we have to prepare ourselves, but go about it carefully. Otherwise, by the time you lead, you can face the same crisis. We managed to resist the IMF. And therefore, saved ourselves. Now I know a lot of you will say, "Look, so have other countries in Asia". But think about it. In our context, our racial composition, we could have caused social unrest if you suddenly withdraw subsidies, which are mainly for the rural, mainly for the Malays. If you raise duties, the lower income groups get hurt. If you cut

back on spending, for social services like education and health, etc. The lower income groups will get hurt. And lower income groups happens to be mostly of one racial group. There would have been havoc in this country. And you saw it in some other countries. Strikes in Korea, over petrol prices in Thailand, the food price hits up in Indonesia - there would have been chaos. Companies would have been sold out.

And I said there is more to life than just money and wealth, you must have a sense of pride that it's your home. There is no point in saying 'never mind, let somebody else come and stay' and you stay in the kitchen.

The future, I go back to the topic, I believe will be dynamic. But in the immediate future, in the next 5-10 years at least, I think many of us will be more wary of rapid globalisation. Because some will argue that Thailand really was very relaxed and liberal about its financial services. Too fast and then the thing collapsed when the hot funds were taken away. So we need to globalise but be very careful that we have the institutions to build it up and back it up. I believe that what we have here today in this conference is symbolic of the greater Asian integration that we will see. We have been dismembered and decimated by the past, by the colonial history. But now, we moving closer and closer together. But it has been resented and resisted. When our country and our Prime Minister called for the East Asian Economic Caucus, it was shot down immediately by the Americans. Why? Because, they don't want to see Asia rise and be dominant. We have learnt a lesson that you've got to be careful with what they call 'Oligax'. Powerful, rich, vested groups, not necessarily countries, but individuals and companies around the world particularly in the West who will want to dominate the resources of the South.

We would have learnt that while the Japanese were the first to come out to offer financial assistance, they were in fact discouraged by the Americans. And the Americans did not come out to do much. Even today the financial architecture after two three years is still around. There is no concrete gain. So Asians will wonder, are these all friends who want one big happy world? I think the Western countries will come to a realisation that they cannot take Asia for granted and will have to come to Asia on equal terms to work with Asia, otherwise they will lose out in the longer term. If we handle ourselves well, learn from the mistakes. I disagree with anybody who thinks that corruption, cronyism, nepotism is the exclusive monopoly or purview of Asia. You have to look at the long-term capital fund in the United States run by two Nobel prize winners. You've got to think of the European commission that was charged with corruption. Two good examples, and then realise that that's only the tip of the iceberg that this is universal. It is a question of degree. And I say, that we have to improve on all these things. We have to correct. We have to eradicate human weaknesses. We have to be more open, more transparent, more democratic. In the end, I believe that what will really enable us to develop our full potential in Asia would be a very healthy democracy with checks and balances. But hopefully, we will have strong governments and strong leaderships because otherwise you can swing the other way and have too much democracy and nothing will move. So my conclusion would be work together in Asia especially the younger people who have no colonial hang-ups or baggage of the past. Look at things that are fresh, work together with the determination to ensure that Asia has a prideful place in the world. Work to ensure that our weaknesses will be converted to strengths. Work to ensure that our values are based on our religion and ethics. And the great religions of the world come from Asia, not anywhere else. That is sometimes forgotten. When we talk about human welfare and society's well-being and social economic development, ethics and religion must play an important role. If we follow these tenets, I believe Asia will regain its pride and Asia will be the center of the world of the future.

Thank you very much.

“Work together with the determination to ensure that Asia has a prideful place in the world.”