

# Malaysian prime minister to parliament: 'A nation's wealth is its ingenuity'

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"In my speech today, I wish to depart from tradition," Malaysian Prime Minister Datuk Seri Dr. Matathir Mohamad told parliamentarians at the Dewan Rakyat on March 29, during the mid-term review of the Malaysian Fourth Plan (1981-86). "I shall focus my attention not on the distributional pattern of increased allocations, but on the effort required to ensure that the development plan is not a process of receiving rewards passively, but one that will promote more active participation of people from all walks of life in national development."

What followed was a lesson in the ABCs of economic development that would have left World Bank officials stuttering. Dr. Matathir spelled out a series of new programs to build up heavy industry and transform rural Malaysia. To fully achieve these goals, he emphasized, Malaysia must increase its population of 15 million nearly fivefold!

## Too dependent on exports

Like most other developing nations, Malaysia had been harmed during 1981-83 by the worldwide economic decline and the high cost of credit, a mid-term review document revealed. Since Malaysia's major exports are primary commodities and electronics components, the sharp drop in price and demand for those commodities caused a substantial deficit in the country's external accounts. "Since Malaysia is too dependent on exports, our economy continues to be adversely affected whenever there is a world economic downturn," Dr. Matathir asserted.

This is different from countries like Japan and the U.S.A., the prime minister pointed out. "While there is a need to increase further our exports, those should also be based on domestic economic activities," he said. In 1982, Dr. Matathir launched Malaysia's "Look East" policy of industrial development inspired by the Japanese example of fostering high productivity through advanced technology, manpower development, and hard work.

Largely as a result of the government's determination to take advantage of the dynamic potentials in the country, Malaysia was able to achieve a rate of growth of 6.2% a year in real terms during the plan period, a 1.4% shortfall from

the plan target. Among the major sectors, manufacturing grew at a rate of 4.9%; agriculture at 4%, and the mining sector at 5.4%—all below target levels. At the same time, the construction industry registered a 13.1% expansion. Some services, such as free medical care for working people, also expanded significantly during these three years.

Still, nations can only spend what they can afford, Dr. Matathir said, reviewing the continuing tight balance-of-payments position of the country. "Given this reality, we are now faced with two options," he told the parliamentarians. "We can either lower our standard of living to a level we can afford, or we can increase our wealth to a level that will support the living standard which we are accustomed to. The government is of the opinion that we should choose the second option—that is, to increase our wealth."

## How a nation creates wealth

"The wealth of a nation is not something that can arise of itself," Dr. Matathir explained. "The availability of natural resources, like tin or fertile land or a sea rich in fish, by themselves do not make a nation and its people rich." The wealth of a nation can increase or decrease depending upon the intelligence and wisdom of the people. "The people must therefore produce their output wisely, by increasing its value through processing before they can enrich themselves and the nation. *Hence, the ultimate source of wealth of a nation is its manpower and its ingenuity* [emphasis added]."

Dr. Matathir identified the crucial role of individual savings and productive investment in increasing the nation's wealth. "Money kept under the pillow will not make the owner or the nation rich," he said. The other major source of wealth is productivity, he stressed, emphasizing the individual citizen's role and responsibility in this process. "When a person is totally unemployed, he does not contribute anything to himself, to his community or his nation. On the other hand, when he provides a service or produces goods, either in part or in full, he contributes to the wealth of the nation. Certainly, if he works hard, provides more services or provides greater output by his own efforts, his contribution will be even higher."

In his review of new government initiatives, Dr. Matathir laid special emphasis on the eradication of poverty in rural Malaysia, where most Malays live. Departing sharply from the litany of Malthusian "development theory," the prime minister categorically rejected the small-plot farming system that persists today. "In fact, in these modern times, we can no longer accept a peasantry system in which farmers try to make a living through the ownership of and by working on small plots of land," he stated. "No matter what kind of aid is given, output from the small plots will be inadequate to sustain their livelihood."

Dr. Matathir presented a bold program for rural regeneration based on merging small plots of land into cooperative "estates," and the creation of townships based on these estates. "*Padi* farmers [plot rice cultivators], for instance, could merge their landholdings with adjacent plots to form estates," he said. "For this purpose, estate managers will be trained by the government, but will have to be paid by the cooperatives. These estate cooperatives will also own the equipment and machinery," Dr. Matathir continued. Each landlord would be entitled to a share in the estate in proportion to his contribution to the estate, and the ownership and grants of estate land will continue to be in the hands of the landowners and their dependents.

Since construction of houses will be based on a systematic plan, Dr. Matathir pointed out, land use in the newly created townships will be optimized. As a result, he said, a larger area of the participants' land could actually be devoted to cultivation or other productive purposes that will arise from the merger of the *kampung* [village]. Further, the townships will be supplied with pipewater, electricity, roads, and other facilities. Schools and clinics will be built according to local needs, and shops will also be provided.

### Denounce village idiocy

The prime minister is fully aware that such a program strikes at the root of the rural backwardness which makes the countryside a seedbed for political instability. He coupled his announcement of the new campaign with a blistering preemptive attack on the opportunism of those ruralists and fundamentalist Muslims who can be expected to fight the plan in the name of "maintaining social traditions and harmony."

"Definitely there will be people who say that this scheme will tarnish the beauty of the Malay *kampung* and destroy the traditional culture," Dr. Matathir said. "They will intone that landowners will become wage-earners, the program will become uneconomical and unprofitable, together with all sorts of other accusations which are inconceivable to a normal mind. Surely, various *hadis* and *firman*s [Islamic edicts imposed by religious leaders] will be quoted, distorted, misinterpreted, and loosely used to defeat well-intended efforts, solely to protect their intellectualism or political interests.

"Not satisfied with their efforts to sabotage this pro-

gram," Dr. Matathir continued, "I am convinced that these people will instigate the rural population to oppose and obstruct this program." In addition to a stable of neo-Malthusian royalists, centered in several environmentalist groupings in the old British resort town of Penang, the efforts of Iranian and other fundamentalists to establish a beachhead for destabilization in the Malaysian countryside have come under the attentive eye of Dr. Matathir's government.

### Looking to the future

In his speech, Dr. Matathir stressed that future economic growth must come largely through strengthening the private sector, and called for a special effort to develop basic industry. "With the establishment of heavy industries," he said, "various additional benefits of linkage will be generated, especially in the utilization of natural resources in the country. In addition, those industries will provide the basis for developing indigenous technology. Heavy industries will not only save foreign exchange but will also provide the opportunity for acquisition of skills which can be utilized in other industries. They will also provide the opportunities to learn to manage large-scale industrial establishments. This will directly contribute to the widening of the economic base of the nation."

The Malaysian prime minister also stressed regional development planning, as opposed to the statewide development plan. Competition among neighboring states is economically baseless and actually unhealthy, he declared, from the standpoint of effective development.

But to overcome the many challenges necessary to build up the nation, Dr. Matathir emphasized, Malaysia needs a lot more people. His discussion of population economics with Malaysian parliamentarians epitomizes the political courage with which he has consistently defied prevailing Malthusian shibboleths.

"As the honorable members are aware," the prime minister stated, "Malaysia, with an area of 334,000 square kilometers, has a population of 14.8 million. This population is small compared to Britain, with 245,000 square kilometers and a population of 55 million, the Philippines, with 300,000 square kilometers and 45 million people, and other developed and developing countries.

"While a large population does not necessarily guarantee prosperity, a small population can give rise to many problems; among others, the domestic market will be too small to support mass-consumption industries," he explained, referring to industries that will facilitate a rising standard of living.

"In view of this, the government has decided Malaysia should ultimately have a total of 70 million," Dr. Matathir announced, adding that a large population will not bring about prosperity automatically—education and the inculcation of the values of discipline and diligence are essential. Ultimately, the wealth of a nation depends, as Dr. Matathir insists, on "the intelligence and wisdom of the people."