

Chapter 1

Policy Objectives and Framework

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POLICY OBJECTIVES AND FRAMEWORK

I. INTRODUCTION

1.01 With the launching of the *Seventh Malaysia Plan*, 1996-2000, the Malaysian economy will enter the second phase of the Second Outline Perspective Plan (OPP2), 1991-2000. For the nation, the first half of the OPP2 was in many respects a momentous period of rapid progress. The growth in Gross Domestic Product (GDP) during the Sixth Malaysia Plan period, 1991-95, significantly exceeded the Plan target. The last year of the Sixth Plan itself represents the eighth consecutive year of rapid growth, making the period the most buoyant and the longest sustained growth achieved thus far. Even more significant, the high growth rate was achieved within an environment of relative price stability. With the strong fundamentals underlying the rapid expansion in the economy already in place, together with a sound social and political environment, the nation stands poised to approach the second phase of development under the OPP2 with greater strength to meet the challenges of our time. It will also provide the stage for the Government to accelerate the attainment of the objectives of balanced development as envisaged under the *National Development Policy* (NDP), with the overriding objective of creating a more united and just society.

1.02 Notwithstanding this achievement, the rapid expansion of the economy has posed new challenges in the management of the economy. These challenges relate to problems and constraints which are usually associated with an economy undergoing a prolonged period of strong economic growth, in particular with the economy straining at the limits of capacity utilization and full employment as well as external balance. The Government has, however, responded to these challenges through the adoption of policies and strategies of sound macroeconomic management with a view to provide a conducive environment for sustained growth in the medium- and long-term.

1.03 As the nation embarks on the Seventh Plan, the thrusts of development policy will not only emphasize sustaining economic progress in order to achieve the status of a fully developed nation as envisaged in *Vision 2020*, but also other aspects of development such as social justice, quality of life and political stability, with positive social and spiritual values. This holistic approach has been the hallmark of our development efforts. While it is essential to focus on economic issues, efforts must extend beyond the purely economic dimension to encompass as well the more intangible aspects of creating a united and resilient society with strong family values, greater self-discipline and an appreciation for the arts and culture.

1.04 It is important to maintain harmony between the material and spiritual aspects of development. Material development alone at the expense of spiritual needs on the one hand, or religious extremism on the other will be detrimental to the development of Malaysian society. The universal values found in Islam together with similar values in other faiths such as trustworthiness, moderation, responsibility, sincerity, diligence, dedication and discipline, are keys towards enhancing peace and prosperity in the country. Readiness to utilize advancements in knowledge, particularly scientific knowledge, which is another aspect emphasized by Islam, is essential for future rapid development of the country.

1.05 The challenges of rapid development and the pace of socio-economic transformation will put stresses on individuals, the family and community. The nation's unique socio-cultural diversity can be turned into one of the strongest assets for the nation. The inculcation of strong moral, ethical, cultural and spiritual values will provide a sound base for meeting the forces of disruption and stress. Moral and religious education must be reoriented to meet the challenges that lie ahead. Greater efforts will be made to inculcate strong religious values to assist in providing the means to prevent the spread of negative social problems in Malaysian society.

II. TOWARDS A POLICY AGENDA FOR FUTURE CHALLENGES

1.06 During the two and a half decades since 1970, Malaysia has achieved significant progress in economic growth as well as in meeting its social objectives. The nation was able to sustain its pace of development, with GDP growing at an average rate of 6.7 per cent per annum during the New Economic Policy (NEP) period, 1971-90 and 8.7 per cent during the Sixth Plan period. During the last eight years since 1988, the economy's performance has been

even more impressive with a sustained high growth of 8.9 per cent per annum. This economic growth within an environment of relatively low inflation is indeed a remarkable achievement. Concomitant with this significant expansion, there were also rapid improvements in poverty alleviation and restructuring of society as well as in raising the standard of living of all Malaysians. The *per capita income* in nominal terms increased from RM1,106 in 1970 to RM9,786 in 1995. Measured in terms of *purchasing power parity*, improvement in the per capita income was even more significant, rising from US\$978 in 1970 to US\$9,470 in 1995.

1.07 The high economic growth during the period was accompanied by a tremendous structural transformation of the Malaysian economy which resulted in the gradual shift from one relying mainly on the production and exports of primary commodities to a more modern industrial economy. The *manufacturing sector* currently accounts for about one-third of GDP and more than three-quarters of merchandise exports. The rapid expansion of the manufacturing sector was also accompanied by a greater diversification in output as well as exports. This achievement was brought about by the successful pursuance of the nation's industrialization programme. The policies of import-substitution in the 1960s shifted to one of pursuing an export-oriented strategy in the 1970s. The formulation of the Industrial Master Plan in 1985 provided the blueprint for an accelerated industrial development. The strategies adopted in this Plan rapidly transformed the industrial sector into one with a broader base and greater sophistication. In addition, heavy industries in the non-resource-based industries such as petrochemicals, automobiles and iron and steel were established, while the traditional electronic and electrical machinery and apparel and garment industries continued with their rapid expansion. At the same time, resource-based industries such as oleochemicals, food processing and wood-based industries also experienced rapid growth. The economy is entering into yet another phase of industrialization that places new emphasis and demands on more capital-intensive, high-technology and knowledge-based industries.

1.08 The increasing role of the *private sector* as the engine of growth became prominent since the middle of the 1980s in contrast to the 1970s and early 1980s, when the public sector was actively engaged in economic activities mainly through public sector investment in a large number of public enterprises. Recognizing that a private sector-led growth would lead to a higher level of economic success, the Government entrusted a bigger role to private sector initiatives not only in terms of generating growth but also in its contributions towards the objective of growth with equity.

1.09 To facilitate the growth of the private sector, the Government introduced the concept of *Malaysia Incorporated* in 1983, with a view to fostering greater collaboration between the public and private sectors. In line with the concept, the Government undertook greater deregulation, simplified administrative procedures and provided better incentives, which led to the strengthening of the private sector's contribution to economic growth. With the Government's privatization policy, the private sector was able to participate in economic activities, particularly in developing infrastructure, which were once the domain of the public sector as well as in new opportunities that can nurture the continued development of viable private enterprises.

1.10 The adjustment measures undertaken by the Government since 1983 to consolidate public sector finances have resulted in improvements in its budgetary position. The achievement of a *balanced budget* since 1993 reflects the successful management of public sector finances and underscores the strong commitment of the Government to a policy of fiscal prudence and consolidation, with a view to contain excessive demand pressures and ensure a sustainable growth path for the economy. This achievement is even more impressive against the backdrop of the Government's on-going efforts to reform and simplify the tax system to enhance the competitiveness of the private sector and the attractiveness of Malaysia as an investment centre. These efforts entailed the abolition as well as reduction of taxes, including corporate and personal income taxes.

1.11 The prudent management of Government finances has complemented the tight monetary policy stance adopted by the Central Bank since 1989. The conduct of monetary policy centres on the management of liquidity within prudent bounds as well as ensure exchange rate stability for continued sustainable output growth. The restrictive monetary policy has, however, widened interest rate differentials in Malaysia's favour. This has led to large foreign capital inflows in late 1993 and early 1994 to arbitrage on the rate differentials. While the inflows of long-term capital have benefited the nation as they are invested in productive capacity, short-term funds by its nature are volatile and have the potential of creating instability in the economy that could unwind the success of our monetary policy in reducing inflationary pressures thus far. As such, the inflow of short-term funds has made the conduct of monetary policy more complicated, necessitating a new dimension in the country's monetary management. Apart from the use of traditional instruments, it calls for new measures to be instituted to better manage speculative flows to reduce its effects on liquidity, money supply and inflation.

1.12 The rapid expansion of the economy has led to a situation of virtual *full employment*, with the unemployment rate declining to 2.8 per cent in 1995. The tightening of the labour market has in turn resulted in increasing pressure on the wage level, and if left unchecked could aggravate the general price level in the economy. In addition, continued wage pressures which are not matched by productivity increases would raise the cost of doing business as well as jeopardize the nation's external competitiveness. As a short-term measure, the Government allowed the import of foreign labour for certain sectors of the economy to relieve the problem of labour shortages. However, the longer term solution to this problem lies in utilizing labour more efficiently and productively. This would require reducing the demand for labour, through labour-saving techniques and processes. In this regard, the nation must move up the ladder of production from labour-intensive and assembly-type of processes towards more capital- and technology-intensive as well as knowledge-based industries and processes.

1.13 The move towards greater automation, capital-intensive and knowledge-based industries brought about new challenges, particularly the shortage of skilled manpower. It calls for training and retraining to upgrade technical competence and skills of the nation's workforce. Apart from increasing the supply of skilled labour through the establishment of public sector training institutions, the Human Resources Development Fund (HRDF) was established in 1992 to encourage private sector involvement in training and retraining. This, together with the flexible policy on the employment of foreigners in professional and technical occupations, has created an environment for the mobilization of skilled manpower resources to sustain rapid growth of the economy. Accelerated skill training and increased higher education are significant features in the efforts to meet increasing demands for professional and skilled manpower in the future.

1.14 The successful *management of inflation* over the years of rapid growth has enabled the nation to continue to record price stability. Inflation has been kept at a very low level of less than 4.0 per cent during the period 1975-94. In 1995, inflation was only 3.4 per cent. Prudent fiscal and restrained monetary policies as well as administrative measures have been successfully implemented, primarily aimed at containing acceleration in consumption, promoting savings and removing supply constraints. The Government will continue with these policies to combat inflationary expectations and pressures to ensure that the overall inflation rate remains at a low level. As a long-term objective, the Government will seek to achieve zero inflation for the basic necessities consumed by the low-income group.

1.15 Malaysia's *current account of the balance of payments* has traditionally been characterized by surpluses in the merchandise account but persistent deficits in the services account. Nevertheless, the strong growth of the economy which has largely been investment-driven has led to a surge in imports of capital and intermediate goods. Consequently, the merchandise account surplus was reduced at the end of the Plan period. At the same time, the services account remained in deficit, reflecting largely, net outflow of profits and dividends. Therefore, the current account deficit of the balance of payments shifted from surpluses in the late 1980s to growing deficits during the Sixth Plan period. To a large extent, the widening of this deficit is a consequence of the strength of investment growth which led to a surge in imports of capital and intermediate goods, accounting for 85.3 per cent of total merchandise imports. In the medium-term, such imports of capital and intermediate goods would improve the productive capacity of the economy. In addition, the strength of the nation's external balance must be viewed by the way in which the deficit has been financed. The strong inflow of long-term foreign direct investment (FDI) has been more than sufficient to finance the current account deficit to the extent that the basic balance has always been in surplus. In terms of national resource balance, the high savings rate of the nation at 32.5 per cent of Gross National Product (GNP) has been more than sufficient to meet domestic investment. As such, there has been less need for the nation to resort to large external borrowings to finance domestic investment. The high national savings rate of Malaysia is indeed comparable to many of the newly industrialized countries and even higher than that of some developed economies.

1.16 In terms of *income distribution*, the expanding economy provided favourable opportunities and generated the resources for the realization of distributional objectives, with all groups in society experiencing increases in income. However, as skill and factor endowments are different, the rapid growth of the economy led to a slight widening in income disparities. Notwithstanding this, the number of households living in *poverty* further declined, while the incidence of hardcore poverty fell significantly. More importantly, the emergence of a strong middle-income class reflected the success of economic policy in ensuring that the benefits of economic development are broadly distributed. The more equitable distribution of wealth and prosperity contributed to further progress in creating a harmonious, tolerant and dynamic society.

Future Challenges

1.17 The rapid and sustained expansion of the economy since 1988 has laid a strong foundation on which the Seventh Plan can be built upon. New

challenges that emerge, particularly with respect to the management of economic success and national development, will demand adjustment to existing policies and programmes and adoption of new approaches. The NDP, which is fundamental towards achieving overall national unity, will continue to provide the broad framework of development towards the year 2000. However, specific policies will have to be prioritized into a policy agenda to meet the objectives and targets envisaged under the Seventh Plan. The major future challenges to be faced by the nation include:

- o transforming the economy from an investment-driven output growth towards one that is productivity- and quality-driven through enhancement of factor efficiency of labour and capital as well as total factor productivity (TFP) through skill upgrading, capital deepening as well as improvements in management and entrepreneurship;*
- o accelerating the shift towards higher value-added activities that are labour-saving and possess greater capital- and technology-intensive production processes which require a greater degree of coherence of human resource and technology development policies and programmes as well as concerted efforts to venture into new frontiers of development;*
- o managing strong growth successfully while maintaining price stability and external balance so as to ensure the achievement of sustained growth over the medium- and long-term;*
- o encouraging a global approach to industrialization to enable firms to venture into large-scale operations so that the benefits of economies of scale can be enjoyed through increased production for export to the world market;*
- o promoting a more integrated process of production through strengthening inter-industry linkages in particular, increasing production of selected intermediate and capital goods to reduce dependence on imports as well as expand into export markets;*
- o augmenting competitiveness in the face of greater globalization, advances in technology as well as changing market preferences which call for reinforcing the nation's competitive foundation, strengthening infrastructure, widening global networks as well as maintaining a conducive environment for private initiatives;*
- o developing a modern, dynamic and outward-oriented services sector to enable it to become not only a major catalyst for growth but also a potential for export of services in international trade;*

- o strengthening science and technology (S&T) and enhancing research and development (R&D) to harness the nation's technological capabilities as well as advancing information technology (IT) to enable the move from being users of multimedia products to suppliers and developers of IT;*
- o ensuring sustainable development not only through greater awareness on the preservation of environment but also emphasizing the integration of environmental considerations in the economic and social development process;*
- o placing greater efforts on equitable distribution of the nation's expansion in income and wealth in order to ensure continued socio-economic stability as well as to accelerate the restructuring of society; and*
- o addressing increasing social problems arising from rapid growth in order to ensure that they will not impair the ethical and moral fabric of society, particularly among the young and future generations.*

III. DEVELOPMENT THRUSTS OF THE SEVENTH PLAN

1.18 To support and sustain the development process, it is essential for Malaysia to meet these challenges. The Government will continue to promote social and political stability as well as efficient management of the economy to provide a favourable environment for pursuing growth with equity to achieve the objectives of the NDP. The promotion of a balanced, broad-based, resilient and internationally competitive economy remains paramount so as to provide a stronger foundation for the attainment of sustained growth, particularly in the process of transformation towards becoming a developed nation by the year 2020.

1.19 The thrusts of the Seventh Plan will be to enhance potential output growth, achieve further structural transformation and attain balanced development. With greater competition from emerging economies for capital, and labour resources becoming more scarce, the focus of the Plan will be on accelerating productivity and efficiency, primarily through private sector initiatives. Special emphasis will be given to skill upgrading, capital deepening and technological development. An important facet will be increasing efficiency and productivity in resource utilization, which will strengthen Malaysia's competitive edge.

Macroeconomic Stability

1.20 During the Seventh Plan period, macroeconomic management will be committed to maintaining high growth with stability to facilitate the attainment of socio-economic objectives within the context of a rapidly expanding economy. *Real GDP* is expected to grow rapidly at an average rate of 8.0 per cent per annum with a low rate of inflation. Efforts in combating inflation will continue to be pursued through appropriate monetary and fiscal policies as well as administrative and supply adjustment measures.

1.21 Monetary aggregates will still serve as the intermediate target of *monetary policy* which aims at the effective management of liquidity. Although monetary management has become more complicated with increased international mobility of capital, timely adjustments to eliminate destabilizing influences will be made. Interest rates will be maintained at a level that will promote savings and simultaneously encourage investment. At the same time, more attention will be given to interest rate differentials to discourage the inflow of speculative funds. Such a destabilizing factor will be taken into account in the foreign exchange policy which aims primarily at promoting a stable exchange rate.

1.22 *Fiscal policy* will reinforce monetary policy in curbing price pressures. While the emphasis of budgetary restraint on operating expenditure will continue in line with fiscal prudence, planning for public sector investments will take into account the overall state of public finance, the balance of payments position and the capacity to implement development programmes. Budget deficits will be kept within prudent limits while the use of borrowed funds will be minimized. This financial discipline will reduce further the nation's debt burden and dependence on foreign financing, thus avoiding the adverse effects of exchange rate movements.

1.23 While financing public investments is not a problem, meeting the massive and varied funding requirements of private investments will be a challenge. The amount of investments involved will require new instruments of funding, more effective promotion of savings and the mobilization of resources through the capital market and the banking system. The promotion of higher savings will contribute to curbing price increases and this will in turn dampen consumption growth as well as mobilize domestic funds to finance investments. Efforts to foster further development of a dynamic and innovative *capital market* will enhance the mobilization of resources to meet the increasing funding requirements. Simultaneous development of the equity market and private debt securities will provide the private sector with the necessary resources to finance their investments including large infrastructure projects.

1.24 Efforts will be taken to strengthen the overall balance of the *balance of payments* so as to maintain a sufficient level of external reserves. As in the past, the current account deficit is expected to be fully financed by new FDI as well as through reinvestment. Strong economic fundamentals, political and social stability as well as expanding business opportunities will continue to attract foreign investors. Increased potential for development will also encourage investors to reinvest their profits. It is also anticipated that more Malaysian investors will venture abroad to form strategic alliances and establish networks with foreign partners, make inroads into foreign markets, source local inputs for foreign ventures and internationalize their production structure. Therefore, active participation of Malaysian investors in various investment interests overseas will be promoted in areas such as housing, manufacturing industries, vehicle assembly, oil and gas, and infrastructure development. Malaysian investors should raise funds for these ventures through international capital markets.

1.25 Simultaneously, additional measures will be instituted to improve the current account of the balance of payments. As the persistent deficit was attributable mainly to the services account, particularly the high repatriation of profits, dividends and interest and payment for freight and insurance, more vigorous efforts will be undertaken to address this problem. Aggressive promotion to develop selected services for export such as education, tourism, health and consultancy services will help to reduce the services deficit. Efforts will also be taken to achieve greater backward integration to produce capital and intermediate goods which will over time reduce the size of the deficit as local sourcing of inputs is enhanced. Nonetheless, due to its structural nature, the impact of these measures are expected to materialize towards the end of the Plan period.

Poverty Alleviation and Restructuring of Society

1.26 During the Seventh Plan period, efforts will be made to further reduce *poverty and income disparities* between ethnic and income groups, and regions. The expected improvement in economic performance will strengthen the Government's ability to pursue the basic philosophy of development which emphasizes growth with equity. The present distributional programmes will be further consolidated and improved to increase their effectiveness in order to establish a stronger foundation for national unity.

1.27 Efforts will be directed to reduce the incidence of poverty among Malaysians to 5.5 per cent while hardcore poverty will be practically eradicated by the year 2000. In this regard, the implementation of poverty eradication programmes, including the Development Programme for the Poorest (PPRT), will be focused towards alleviating poverty in areas and among groups with high incidence of poverty.

1.28 In order to promote a more viable *Bumiputera Commercial and Industrial Community* (BCIC), Bumiputera entrepreneurs will be encouraged to be involved in strategic industries such as aerospace, automotive, machinery and engineering, petrochemical and telecommunications. The packaged programme, such as vendor and franchise development, introduced under the Sixth Plan, will be further expanded. To further increase participation of Bumiputera entrepreneurs in strategic industries, specialized training will be provided to improve their technical knowledge and at the same time create a sense of mission among them. Efforts will also be undertaken to encourage more private sector entities, including multinationals, to be involved as anchor companies or franchisors.

1.29 Efforts will continue to be undertaken to restructure the employment pattern to reflect the ethnic composition of the population. Particular attention will be given to increase the supply of Bumiputera manpower in the professional and managerial category through education and training. Bumiputera will be provided with more facilities to acquire appropriate skills, necessary exposure and experience required by the private sector.

1.30 As part of the efforts to increase *Bumiputera equity ownership*, participation and control in the corporate sector, Bumiputera will be equipped with appropriate skills to manage and operate their assets and wealth on a sustainable basis. Bumiputera individuals, institutions and trust agencies will be encouraged to expand their activities and explore new markets through business ventures abroad and create more opportunities for other small-scale Bumiputera companies to participate in related activities. In addition, efforts will be geared towards increasing and mobilizing Bumiputera savings in trust funds and cooperatives as well as Islamic-based resources such as *zakat*, *wakaf* and *Baitulmal*.

1.31 During the Seventh Plan period, household income is expected to increase, in line with the anticipated high growth of real GDP. However, in view of the widening income disparities among ethnic and income groups as well as between urban and rural households during the Sixth Plan period, efforts will

be continued to ensure that the effects of widening income disparities will be minimized. The middle-income group will be further expanded and this is expected to narrow the disparities among the income groups. In addition, programmes and projects in education and training, health and other social amenities as well as income-generating activities are expected to continue to improve the standard of living of the bottom 40 per cent of the population.

1.32 In view of the rapid rate of urbanization, the Government will undertake necessary measures to contain the increase in the number of urban poor. Although the incidences of poverty and hardcore poverty have decreased, the number of poor households in the urban areas increased slightly, mainly due to the redefinition of urban areas in 1991. To reduce the number of urban poor, the Government will give priority to income-generating projects as well as provision of adequate basic amenities, including low-cost housing.

Productivity-driven Growth

1.33 In the past, the Malaysian economy was mainly input-driven particularly through investments, with capital accumulation contributing almost half of potential output growth. The Seventh Plan will promote a shift in focus from an input-driven towards a *productivity-driven strategy* by enhancing the contribution of *total factor productivity* (TFP). TFP refers to the additional output generated through enhancements in efficiency arising from advancements in worker education, skills and expertise, acquisition of superior management techniques and know-how, improvements in organization, gains from specialization, introduction of new technology and innovation or upgrading of existing technology and enhancement of IT. TFP improvements will enable the economy to generate a larger output from the same available resources and hence, shift to a higher growth path.

1.34 During the Seventh Plan period, employment growth is expected to average at 2.8 per cent per annum, lower than the growth of 3.4 per cent experienced during the Sixth Plan period, thus reducing the contribution of labour to growth. This relatively slower employment growth is expected to result from greater use of labour-saving practices as the economy moves towards greater capital intensity. At the same time, the robust growth of private investment of 16.6 per cent during the Sixth Plan is expected to decelerate to 7.8 per cent despite the relatively significant level of investments of RM385 billion required to achieve the target of the Seventh Plan. These factors indicate that future prospects for the Malaysian economy hinge on the success of productivity gains to propel the economy.

1.35 Skills upgrading, capital deepening, technology development and organizational improvements will underpin the transformation of the economy towards productivity-driven growth. With a high proportion of the labour force in the young-age group, investments in human capital to increase skills and knowledge of workers will enable each unit of labour to deliver more output or higher value-added products. Accelerated skill development programmes under the Seventh Plan will improve the supply of technically proficient manpower and expertise. With a better quality workforce, the learning curve and gestation period associated with the application of more advanced automation systems and the acquisition of new technology will be shortened. This will support the shift towards higher technology- and capital-intensive industries.

1.36 Growth in labour productivity is also correlated with the extent of capital deepening, which results in increases in the capital-labour ratio. The process of capital deepening that took place over the last few years, stimulated by the influx of foreign investment particularly in the manufacturing sector, is expected to continue. The source of this process is expected to originate from both foreign and domestic investments. The large manufacturing investments being planned as well as the significant number of large infrastructure projects that will continue to be implemented during the Seventh Plan period will support capital formation in the country. In addition, a conducive environment with attractive incentives will further stimulate foreign and domestic investments.

1.37 Efforts to realize efficiency in the utilization of incremental capital resources are important to improve labour and capital productivity. The demand for labour will be reduced not only through increases in the ratio of capital to labour but also through rising skill intensity in production processes. These changes are necessary given that the economy will continue to enjoy full employment. In addition, managerial efficiency has to be enhanced while employer-employee relations improved in the pursuit of productivity gains.

1.38 High rates of physical investments need to be combined with improvements in technology development and management. Gains in technological development are not confined to frontier innovation or new inventions but include mastering existing technology and keeping up with constant changes as well as learning about new technology to be applied, adapted and improved. While efforts to nurture indigenous technology development will be undertaken, local industries should continue to acquire technologies of other advanced nations. Simple improvements could come from interactions with the market and related firms

such as sub-contractors and suppliers of materials and services. The strong presence of multinational corporations (MNCs) in Malaysia should also assist in this process.

1.39 To build on the advantages of the presence of MNCs, efforts will be initiated to develop Malaysia as an attractive location that has the potential of becoming a centre of excellence in R&D in selected manufactured products such as electronics, and rubber and tropical wood-based industries. With increasing globalization, many MNCs have sited their R&D facilities in many different new locations outside their home base. In this regard, relevant MNCs will be encouraged to locate their R&D facilities in the country. Efforts will be undertaken to create the necessary environment which will include building an education system that emphasizes S&T, strengthening technical and scientific institutions and fostering cultural values that are amenable to innovation. The Government will also continue to implement trade and economic policies that encourage competition among domestic firms so as to expedite the process of catching up technologically and become internationally competitive. The Government will provide the necessary support to attract foreign experts, scientists and technologists.

1.40 In addition, attention will be given to the growth of the software component of investments which include managerial methods and the institutional environment. This component in many instances, lags behind the hardware component. This will provide more room for capital to realize its full productive potential. Opportunities for smart partnerships at national and international levels for win-win outcomes will be fostered. This will facilitate growth in businesses. Another essential ingredient that contributes to higher productivity growth is the development of positive attitude towards work. Hard work complements increases in capital investment, skills as well as managerial expertise in the production process through higher productivity.

Enhancing Competitiveness

1.41 Another critical facet of the development thrusts will be enhancing international competitiveness in the face of intense global competition, advances in technologies and changing consumer markets. As more countries participate in the globalization process, the world will be entering an era of increasing competition, in which countries will not only compete against rivals in their own league but also against a continuous stream of newcomers. In this context,

Malaysia, with its open economy, will set the right priorities and make the necessary commitment to compete more effectively in the international market place.

1.42 The economic fundamentals for Malaysia to enhance its competitiveness are already in place as seen from the stable political climate, conducive economic environment, supportive regulatory and policy regime, strong financial capability, adequate infrastructure facilities, and the availability of an educated, adaptable and trainable labour force. During the Seventh Plan period, further efforts will be taken to strengthen the country's competitive advantage. Specifically, Malaysia will need to evolve and reinforce its competitive industry clusters, further strengthen its economic foundation and infrastructure, enhance the supportive institutional setting, expand and intensify global marketing networks, maintain right incentives and investment policies, ensure price stability and low costs of doing business, and improve the quality of life. The future performance of the economy will increasingly hinge on its ability to harness these factors to achieve superior competitive performance.

1.43 The favourable employment situation during the Sixth Plan period benefited workers through higher wage incomes. However, wage increases that do not reflect productivity gains will in the long-term exacerbate inflationary pressures, erode competitive advantage and worsen the standard of living of workers. Concerted efforts should, therefore, be made by the public and private sectors to increase productivity and efficiency with a view to sustaining a higher-wage regime. In this respect, trade unions will have to shift away from solely demanding higher wages to actively promote increased productivity among its members. Trade unions should further expand their training efforts in order to ensure higher skill levels among workers who would then be able to command better wages and working conditions. In addition, industrial harmony will have to be continuously built and nurtured to provide the enabling environment for productivity growth and healthy wage negotiations. Employers and trade unions will have to continuously invest in building positive industrial relations which will mutually benefit all parties.

Industrialization For The Future

1.44 Malaysian manufacturers will be encouraged to adopt new strategies that will enable them to target production for the global market. By going international, firms will be able to seize new and wider opportunities from more

diversified markets, while simultaneously enabling them to introduce greater capital intensity and benefit from technology utilization. This shift from dependence on the domestic market to production for the export market will necessitate firms to venture into large-scale operations and increase production capacity in order to enjoy the benefits of economies of scale. Large-scale production for the world market will induce greater utilization of technology and skilled manpower, and through these, efficiency and productivity enhancements will be obtained that will bring about lower unit costs of production. In the final analysis, these efforts will increase the quality and output of local products and improve Malaysia's export competitiveness. Large-scale production will provide adequate supplies of products such as cement, automobiles and steel products which registered unexpected increases in demand in the domestic market during the Sixth Plan period. In addition, this global approach to industrialization will help to reduce the import content of local production, thereby improving the balance of payments position.

1.45 Underlying the success of this strategy is the need for industries to emphasize R&D and quality standards as well as intensify efforts on a sustained basis in process innovation and product development. These strategic changes in production will have to be accompanied by concerted and aggressive marketing of Malaysian products in traditional and new markets.

1.46 To ensure that this new approach brings about the necessary intra- and inter-industry linkages within the economy, it has to be supported by a corresponding development of the capital and intermediate goods industries, as well as strong small- and medium-scale supporting industries. In addition, appropriate strategies will be formulated and measures undertaken to strengthen the industrial base through the development of high value-added, high technology, skill-intensive as well as knowledge-intensive industries.

1.47 The Government will create an environment in which firms can upgrade their competitive advantage in established industries by introducing more sophisticated technology and methods and venturing into more advanced fields. As a means to widen the breadth of economic activities, public policy will support local firms to invest in new industries where higher productivity can be achieved. The development of *industrial clusters* will be encouraged so that the high performance of leading industries will filter down and generate benefits to the whole range of related industries. The industry clusters are an agglomeration of firms and industries inter-linked through vertical and horizontal relationships. Each cluster will have primary industries supported by suppliers

of components, raw materials, supporting services and cluster-specific infrastructure. The industry clusters must continually evolve and seed new clusters, adding further value and depth.

1.48 At the same time, Malaysian firms will have to build and develop new modes of business networking in order to create synergistic relationships with foreign markets and businessmen. These will include deliberate disaggregation of production processes which will retain the higher value-added operations in Malaysia while creating supporting overseas production ventures that are amenable to the level of skill and technology in those countries.

Human Resource Development

1.49 During the Plan period, the principal thrust of human resource development efforts will be the preparation of a strong human resource base for long-term economic growth and global competition. Given the shift towards a productivity-driven economy, the emphasis will be on increasing the efficiency of labour utilization and greater capital and technology intensity in production.

1.50 A productivity-driven economy will require higher levels of professional and skilled manpower as well as administrative and managerial expertise. In this regard, the upgrading of skills and knowledge of the labour force, promotion of managerial competence and initiative as well as advancement of scientific and technological know-how, will be pursued during the Plan period.

1.51 The Government will continue to play a major role in human resource development. Educational and skills training institutions will be expanded, upgraded and restructured, where necessary, to increase skill formation in the country and make training more responsive to industry needs. The education system, in particular higher education, will be reformed and a quantum leap in enrolment in the engineering and science fields will be necessary to increase the output in these areas. Accelerated industrial development in the country will require more expertise and post-graduate training, particularly in technology engineering. In addition, emphasis will be placed on promoting IT in specific areas, computer literacy and other supporting disciplines.

1.52 In order to complement Government efforts in human resource development, greater private sector participation and collaboration with the public sector will be encouraged in tertiary education and skill training. The

amendments to the University and University Colleges Act, 1971 and the introduction of the Private Higher Educational Institutions Act, 1996 will enable the private sector to play a greater role in the provision of tertiary education. Emphasis will also be placed on encouraging enterprise-based training to retrain workers in new skills required by rapidly changing technologies. In addition, a new apprenticeship scheme will be implemented to increase the supply of skilled manpower in the country. With the economy moving towards greater capital intensity and utilization of more sophisticated production processes, there will be a greater demand for manpower with advanced skills. In responding to this demand, joint efforts by the public and private sectors will be promoted to establish advanced skill training institutions, particularly in emerging technologies. With the implementation of these initiatives, it is expected that the output of educated and skilled manpower will increase significantly by the end of the Plan period.

1.53 Within a dynamic labour market, proper alignment between wages and productivity growth will provide higher incomes for Malaysians and enhance export competitiveness. The Government will, therefore, continue its efforts to encourage the wider adoption of productivity-related wage mechanisms throughout the economy. A better matching between manpower demand and supply through improvements in the labour market information system will further complement efforts to utilize available human resources efficiently.

1.54 Efforts to expand the supply of manpower for the labour market will involve encouraging greater female participation as well as utilizing the pool of public sector employees who will be retiring. Measures to be taken by the Government will include amendments to the Employment Act, 1955 to allow for greater part-time employment and the adoption of flexible work practices in the private sector for greater female participation in the labour force as well as the setting up of a special unit to facilitate the reemployment of public sector retirees on a selective basis.

Technology Development

1.55 The greater use of technology and development of a strong domestic capability are major factors in meeting the objectives of productivity-driven growth and industrial competitiveness. Appropriate policy and institutional reforms aimed at strengthening S&T, enhancing R&D and improving its management will be undertaken. In addition, stronger cooperation in technology development

will be fostered between industry and the universities and research institutions. These efforts will help promote technological capability in the public and private sectors.

1.56 Strategies for S&T planning and implementation will be adjusted to improve efficiency and effectiveness of research agencies in order to increase their role in enhancing the transfer of technology and bridging the gap between R&D institutions, academia and industry. Increased funding for R&D will be made available to strengthen domestic capability in key enabling technologies such as advanced materials, biotechnology, automated manufacturing technology, electronics and IT. The establishment of centres of excellence within and among universities and research institutions as well as commercialization efforts of R&D activities will also be supported. Institutions involved in R&D activities will be encouraged to work closely to improve innovativeness and ensure that the knowledge and skills developed will be industry-related. Greater emphasis will be placed on promoting co-financing and joint programmes of research between industry and public sector institutions with a view to transferring research output for commercial and industrial applications.

1.57 A fundamental pre-condition for the success of the new strategies for technology advancement is private sector involvement. The Government will continue to provide improved fiscal and financial incentives as well as appropriate infrastructure facilities, particularly for the small- and medium-scale industries (SMIs), as well as stimulate R&D and technological innovation activities within the private sector. In this regard, industry in particular, is expected to explore the extensive opportunities available to increase the country's competitive position in world markets by improving productivity and developing innovative products and services through expansion of R&D activities. The SMIs will be encouraged to utilize the innovation and technologies that have been developed in order to improve their operations.

1.58 To further develop innovative capability, the Government will increase its investment in scientific and technological education as well as in the development of technical and research manpower. Attention will be focused on reorientating science and technology education to foster creativity and innovativeness among the young. Increasing emphasis will be placed on developing a core of high-level scientists, researchers, technologists and educationists who can play a major part in advancing domestic technologies.

Information Technology

1.59 IT will play a significant role in national development, particularly in improving efficiency, productivity and competitiveness. The critical role of information in investment decision-making and global competition has thrust IT into the forefront of economic development. During the Seventh Plan period, the thrust of IT development will be to further develop IT infrastructure in order to create a strong foundation for building a knowledge-based industrial economy and an information-rich society. IT will permeate all sectors and enhance their respective contributions to growth.

1.60 Realizing the important role of IT as a catalyst for national development, the Government has initiated the construction of the Multimedia Super Corridor spanning Kuala Lumpur to the new KL International Airport (KLIA) at Sepang. The Corridor will be supported by the provision of world-class physical and information infrastructure. The Government will develop KLIA and the new administrative centre at Putrajaya and equip them with state-of-the-art communications technology and IT infrastructure. The private sector, especially world-class multimedia companies, will also be encouraged to locate in the Corridor to undertake remote manufacturing as well as introduce high value-added IT goods and services, thereby enabling Malaysia to become a regional IT hub.

1.61 The contribution of the manufacturing sector will be further enhanced through integration of IT into the production process which can help manufacturers boost production, reduce costs and ensure quality products. For the SMIs, investments in IT will be encouraged through creation of awareness of its benefits and provision of support for consultancy studies and joint research projects.

1.62 The supporting role of the services sector will be further strengthened through its development into a modern, efficient and competitive sector. This task will be highly dependent on the accelerated modernization and integration of IT into activities of the sector. In the public sector, IT development programmes will include the preparation of detailed Information System Plans to create databases for strategic and decision-making purposes as well as for information retrieval by the private sector.

1.63 Developments in computer, communications and multimedia technologies which result in free trans-border flows of information and attendant changes

to organizational structure and operation and existing lines of ownership, administration and regulations, will necessitate a review of existing laws, regulations and mechanisms. The review is pertinent to ensure that national, organizational and individual security and rights are protected. At the same time, current laws and regulations that inhibit the growth of IT will be reviewed.

1.64 For IT programmes to be successfully implemented in the various sectors of the economy, there is a critical need to develop human resources to meet the increasing demand for computer-literate and competent workers. A professional IT workforce must be nurtured to cater for the rapid development of new technologies and applications in generalized and specialized fields. Towards this end, education and training programmes will be revised to include IT studies and training at various stages of education and training.

Privatization

1.65 The pragmatic approach towards privatization resulted in the successful implementation of the programme during the Sixth Plan period. It contributed to accelerated economic growth through greater investment, corporate expansion, improved efficiency and productivity, enhanced competition in some sectors and generated multiplier effects in the economy. The efficiency and productivity of the privatized entities increased through improvements in the quality of service and management systems, and the development of positive attitudes as well as changes in the mind-set of employees.

1.66 As envisaged, the privatization programme reduced the administrative burden of the Government in terms of recruitment, promotion and training of personnel. Since 1983, 11.4 per cent of total public sector workforce has been transferred to the private sector. Savings generated from privatization programmes, either from capital expenditure, sale of assets and equity or corporate tax revenue, not only enabled the Government to reduce its borrowings, but also made available additional resources to finance projects in other sectors such as education and health.

1.67 Privatization enabled Malaysians to enhance the acquisition of new technologies and expertise either through management contracts, consultancy services or new investments in specific areas of telecommunications, transport and utilities. Bumiputera participation in the economy was enhanced through

privatization as evident by their participation in equity ownership and management. Privatization also benefited all Malaysians, including those in the lower-income group. This broad-based participation was achieved through share offers to members of the public, employees of privatized entities and institutional investors.

1.68 During the Seventh Plan period, privatization will be accelerated in order to improve efficiency and productivity, sustain economic growth and further reduce the financial and administrative burden of the public sector. Regulatory bodies will be strengthened to ensure that they function effectively to protect the interests of the Government and the general public. In determining the appropriate quantum of user charges, the Government will be fully conscious of undue costs to the general public. Bumiputera participation will continue to be emphasized and Malaysian entrepreneurs encouraged to participate in privatization projects abroad.

Sustainable Development

1.69 Sustainable development will continue to be emphasized during the Seventh Plan period to ensure that the well-being of the present generation is not met at the expense of future generations. Economic, social and environmental aspects will be integrated into the development process. The environment will be improved and resources utilized more efficiently to ensure that improvements in living standards are made without compromising the needs, interest and welfare of future generations.

1.70 During the Sixth Plan period, Malaysia introduced a number of measures to protect its environment and conserve its natural resources. All major projects were subjected to environmental impact assessments. In addition, air and water quality have been closely monitored. Measures have also been taken to conserve the country's forests through reforestation and banning the export of logs as well as strict control over illegal logging. These efforts to conserve and protect Malaysia's natural heritage led to an expansion of the area under permanent forest reserves, resulting in an estimated 59 per cent of the country being under forest cover and about 72 per cent under tree cover.

1.71 During the Seventh Plan period, the Government will continue to balance growth objectives with environmental concerns. Environmental considerations will increasingly be integrated into sectoral policies in order to ensure sustainable economic and social development. Besides acquiring the

requisite technical capacity, the Government will implement more efficient and cost-effective command and control measures to reduce and minimize pollution as well as improve the quality of life.

1.72 Environment and resource management will be guided by the proposed National Environmental Policy, which aims at promoting economic, social and cultural progress through environmentally sound and sustainable development. A Plan of Action will be drawn up to operationalize the Policy, which will focus on the establishment of a strengthened institutional framework, enactment of relevant legislation and regulations, and creation of an efficient and effective enforcement and monitoring machinery. During the Plan period, measures will be undertaken to bring about better management of solid waste, toxic and dangerous substances, and radio-active waste. As a result of these measures, air and water pollution is expected to be reduced.

1.73 Environmental concerns will be integrated into land use planning to ensure that land is properly utilized and watershed and catchment areas will be protected. Soil conservation efforts will be implemented systematically and integrated with physical planning in order to prevent indiscriminate land-clearing as well as provide adequate control of development on land. Current legislation and guidelines governing land development and soil conservation will be reviewed to ensure that critical activities, such as the construction of high-rise buildings, development on hillslopes and clearing of land, are implemented with proper safeguards and controls. Forests will continue to be managed and developed in a sustainable manner to reduce wastage rates and improve the efficiency of wood-processing industries. The rich resources inherent in Malaysia's biodiversity will be inventorized to establish databases. In addition, adequate protection will be accorded to critical habitats to conserve their biodiversity. Malaysia's coastal resources will be better managed with the introduction of integrated coastal zone plans. Mineral exploration and extraction will also be carried out in a sustainable manner.

1.74 The success of efforts to safeguard the environment and ensure sustainable development requires the active participation of all sections of society. As such, environmental education and awareness campaigns will be intensified to encourage Malaysians to adopt a more environment-friendly consumption pattern and lifestyle. Efforts will also be directed at upgrading and integrating environmental and natural resources planning data. In particular, environmental-health complaints and problems will be closely monitored. These approaches, together with the use of innovative legislative and market instruments and mechanisms, will further substantiate efforts to promote sustainable development.

Quality of Life

1.75 Although rapid economic development is a prerequisite to create greater opportunities for improving the quality of life, the social, cultural and psychological aspects are equally important and must be harnessed to merge with the overall development process. As such, emphasis will be given to provide increasing opportunities for personal advancement, healthy lifestyles, the pursuit of knowledge, better housing and medical facilities, clean environment and adequate recreational amenities.

1.76 During the Seventh Plan period, education and health, which are two vital components for a better quality of life, will continue to be priority sectors. In this regard, the Government will continue to provide education as well as health-care services. The current policy ensures that every child has access to at least eleven years of education. With the expansion in public and private education facilities, enrolment at the tertiary level in institutions of higher learning will increase from about 12 per cent of population in the age cohort 19-24 years in 1995 to about 15 per cent in the year 2000. With regard to health, all Malaysians will have access to preventive and curative health services and efforts will be made to further improve the ratios of medical personnel and hospital facilities to population. As changing lifestyles are increasingly causing higher incidences of heart and pulmonary diseases, greater attention will be given to health education programmes that promote a safe and healthy lifestyle, including the elements of good diet and the benefits of regular exercise.

1.77 The provision of adequate and affordable housing is another important aspect in enhancing the quality of life, particularly for the low-income group. During the Seventh Plan period, a target of 800,000 units of houses are expected to be built to meet the increasing demand for housing, of which the private sector is expected to construct about 71 per cent of the total. The total number of units to be constructed during the period represents an increase of 39.6 per cent over the Sixth Plan target. Of this, about 235,000 units will be low-cost houses, while 350,000 units will be low medium-cost houses.

1.78 The Low-cost Housing Fund will be extended to expedite the development of low-cost housing. The private sector will be given a major role in the implementation of this programme. The Employees Provident Fund (EPF) will also participate in the development of low-cost housing. A central registry will be established by State Governments to register and monitor applications as well as allocate low-cost houses.

1.79 To further improve the quality of life of Malaysians, the coverage of water and electricity supply will be increased. It is anticipated that by the end of the Seventh Plan period, 95 per cent of the population will have access to safe drinking water, while 93 per cent will be supplied with electricity.

1.80 In addition, specific programmes aimed at improving the quality of life in rural areas will be continued. These include a wider coverage of paved roads, safe water and sanitation, sewerage and electricity supply, and increased accessibility to secondary schools and technical education as well as health facilities.

1.81 Further efforts will be made towards instilling greater aesthetic values, especially the appreciation and preservation of the arts, culture and heritage. The Government will continue to encourage Malaysians to create works of art, *inter alia*, through the setting up of art galleries. To encourage artists to be more creative and innovative and produce high quality art and literary works to enrich the nation's heritage, conferment of awards, such as *Anugerah Seni Negara* and *Anugerah Sastera Negara*, will be continued, reflecting the Government's appreciation of their contributions to the development of the country's art and literature. The Government and private sector will also continue to support the development of these aspects of culture by the provision of support for arts, museums, operas and symphony orchestras.

Addressing Social Problems

1.82 Rapid industrialization and the consequential rise in urbanization and rural-urban migration have resulted in an increasing occurrence of negative social behaviour. Social problems such as drug addiction, child abuse, loafing, juvenile delinquencies, unhealthy lifestyles and strains on the family unit are beginning to emerge. In 1994, there were 17,600 reported cases of drug addiction, 8,938 cases of AIDS, 871 cases of child abuse and 4,774 cases of runaways. Given that there are many unreported cases, the situation could be worse and this can impair the moral fabric of future generations if measures are not devised to address them.

1.83 In this context, the Government will establish a high-level inter-agency committee to formulate policies and programmes for enhancing social and family development. Institutional support will be reviewed to provide greater focus and coordination of preventive and rehabilitative programmes for specific

target groups such as children, youths and parents. Religious and moral education will be intensified to instil good social behaviour and promote healthy lifestyles.

Moral and Ethical Values

1.84 Spiritual, moral and ethical values need to be inculcated in the quest to be a fully developed nation as envisaged in Vision 2020. A good value system emphasizes moral and ethical behaviour based on religion, customs and traditions. These values will be further emphasized as a critical component in the nation's drive towards becoming a fully industrialized nation.

1.85 To inculcate positive values and ethics, attributes such as discipline, honesty, diligence, integrity, resilience, tolerance, thrift and respect for elders, which characterize the social fabric of Malaysian society will continue to be nurtured through the education system, business organizations and associations and family-oriented programmes. Moral values and ethical behaviour will be given greater prominence and recognition. In this regard, the *Rakan Muda* programme besides propagating a healthy lifestyle for youths, is also aimed at instilling positive values among them. All Malaysians will be encouraged to inculcate a deep respect for these values and adopt them as a code of conduct.

1.86 Efforts to promote the development of a caring society, as an integral component of the value system, will continue to be implemented. In this regard, the role of the family, non-governmental organizations (NGOs), voluntary organizations and corporate community is crucial. Within the home and neighbourhood, good parenting skills, responsibility for family members, good neighbourliness and healthy group behaviour will be strengthened.

1.87 Other measures to promote good ethical behaviour and greater accountability will include the formulation of codes of ethics for the work place. In addition to the General Orders and other rules and regulations instituted within public sector organizations, the private sector will also be encouraged to formulate codes of ethics for business and professional groups.

1.88 While attributes such as friendliness, neighbourliness and hospitality will continue to characterize Malaysian society, developing a sense of common identity and shared purpose among all Malaysians continues to be crucial to

nation-building and the creation of *Bangsa Malaysia*. Fundamental to these is the need to instil a sense of national pride built on Malaysia's heritage, achievements and potential with the view to evolve a national *esprit de corps*. In this regard, efforts will be made to further popularize national sports and other national events. All these processes are expected to promote the adoption of positive values and attitudes as a way of life among all Malaysians.

Administrative Improvements

1.89 For the continued enhancement of productivity-driven growth and human resources development, the role of the public service is paramount. This necessitates the active participation of the public service not only in policy formulation but also in the implementation of strategies and programmes that will facilitate the attainment of the objectives of the Seventh Plan. To ensure this, the public service will continue to accord high priority to the implementation of administrative improvement programmes that will contribute towards building a more effective and efficient public service. The public sector will continue to assume the role of pace-setter, facilitator and regulator. This role requires strong leadership, total commitment, creativity and innovativeness at all levels.

1.90 The continued cooperation between the public and private sectors through the implementation of the Malaysia Incorporated Concept will provide the edge necessary to compete in the global market. Closer interaction between the two sectors will be accomplished, among others, through dialogue sessions at the ministry, department, state, district and local levels. Rules, regulations and procedures will continue to be reviewed to further facilitate the growth and competitiveness of the private sector. In this context, the information system and databases in the public sector will be enhanced, while the Civil Service Link (CSL) will be expanded and upgraded to disseminate information to the private sector.

1.91 During the Plan period, the process of institutionalizing a paper-less culture in the public sector, through the use of the latest IT, will be accelerated. Efforts will also be undertaken to make the public sector more mission-oriented, dynamic and resilient. This involves significant changes, encompassing not only structural and system changes but also changes in values and the mind-set of public sector personnel. The main focus will be the institutionalization of effective management of assets, promotion of a culture of excellence and

inculcation of core values such as quality, productivity, innovativeness, integrity, discipline, accountability and professionalism. The training and retraining of public sector personnel will continue to be implemented especially in the fields of management, R&D and S&T, with the objective of creating a capable and qualified public sector.

1.92 The public sector will continue efforts to make Malaysia an information-rich nation. Public domain information will continue to be disseminated through the CSL, Palm Oil Information On Line Services (PALMOILIS), South Investment, Trade and Technology Data Exchange Centre (SITTDEC), Malaysian Science and Technology Information Centre (MASTIC) and SIRIMLINK. The use of computer networking will be expanded through increasing the number of databases. Further upgrading of IT standards in the public sector will be made through Internet, the implementation of the Government Integrated Telecommunications Network (GITN), enhancement of computer security and the development of IT personnel and IT awareness.

1.93 The public sector will create mechanisms to enable the realization of the nation's goals, including national competitiveness and the development of human capital and physical infrastructure. This necessitates sustaining sufficient levels of public investment and safeguarding the quality of important public services, particularly, education, basic health care and research. The public sector will ensure that present and new challenges to the nation are properly addressed in order to sustain high economic growth with equity and stability.

IV. CONCLUSION

1.94 The Seventh Plan period presents an important phase for charting new courses and strategies to face future challenges. The major challenges will be to provide sufficient skilled workers, promote capital deepening and create a more technology-oriented culture to effect the structural transformation towards a productivity-driven economy as well as embark on world-scale operations. It will build on the strengths and achievements attained so far. A number of strategies will be formulated to meet these challenges. The accomplishment of these strategies will shift the locus of development to a higher growth path, open up new opportunities and build greater resilience and dynamism. This will strengthen the ability to pursue the fundamental policy of achieving balanced development and national unity, as envisaged in the NDP.

1.95 To ensure that policies are relevant and aligned to changing conditions and environment, flexibility and pragmatism will remain important ingredients in policy implementation. Through this, an appropriate strategy mix is expected to evolve and provide viable development options. Creativity and innovativeness will be encouraged to ensure continuous upgrading of performance for national development.

