

Part Two

Overall Targets and Perspective,  
1981-90

## CHAPTER IX

# Prospects and Strategies for the Eighties

### I. INTRODUCTION

359. Socio-economic development is a continuous process requiring a perspective plan within which the progress towards specific goals and targets has to be evaluated. Such an Outline Perspective Plan (OPP), covering the period 1971-90, was enunciated in the Mid-Term Review of the Second Malaysia Plan (SMP), 1971-75, and further elaborated in the Third Malaysia Plan (TMP), 1976-80. This chapter sets out the prospects for the attainment of the OPP targets during the decade, 1981-90, keeping in view that the goals of the New Economic Policy (NEP) are to be achieved in the context of economic expansion so as to provide absolute increases in the welfare of all Malaysians.

360. While considerable progress has been made during the last decade, especially in the field of employment generation and poverty eradication, there has been a shortfall in the attainment of the restructuring target. The next decade, therefore, offers the opportunity for the attainment of these long-term goals, by redoubling efforts in certain areas where achievement has been below target. The task calls for the full play of the resourcefulness and commitment of the private sector, sound and effective implementation of public policies and programmes, and a commitment and positive response from all Malaysians, particularly the poor and the disadvantaged, to fully utilise the opportunities which will be created for them.

### II. OUTLOOK FOR WORLD ECONOMIC SITUATION

361. The continued growth of the Malaysian economy during the eighties must be viewed in terms of the anticipated development in the international economy as well as the country's own strength and resource position. The international economic environment in the eighties is expected to be characterised by slow output growth in the major industrialised countries in the midst of persisting inflation, rising rates of unemployment, slackening of world trade and increasing balance of payments deficits.



The forecasts made by the Organization for Economic Cooperation and Development (OECD) indicate that there would be a moderate improvement in economic activity in industrialised countries after 1983. The recovery is expected to be slow and will depend on the strategy of these countries in striking a balance between the objectives of greater price stability on the one hand and a reasonable rate of output and employment growth on the other, to avoid the considerable dislocations experienced in the past from severe inflation and recession.

362. Overall, the economic outlook of the industrialised countries during the next decade is expected to be less favourable than that of the previous decade. Gross Domestic Product (GDP) is expected to grow at a slower rate of 4.2% per annum in real terms compared with 4.9% per annum achieved during 1971-80. Japan's economy is expected to grow at nearly 6% per annum while those of U.S.A. and Europe will grow at or below the average rate for the group.

363. The projected slow growth in industrialised countries, which account for more than 70% of global imports, combined with increasing protectionism, international inflation as well as exchange rate instability, will lead to a slower growth of world trade. World trade is thus projected to expand at an average annual rate of 5.7% per annum during the next decade compared with a growth of about 7.4% per annum during the seventies. Trade in non-fuel primary commodities is expected to expand by 3.3% per annum, lower than the 4.4% per annum recorded during 1971-80, largely due to the slower growth anticipated for the industrialised countries which import over 65% of world primary exports. In addition, there is growing tendency by the industrialised countries to restrict imports of agricultural products which compete directly with domestic farm products. Exports of manufactures will also expand at a slower rate during the eighties. As the industrialised countries import more than 60% of manufactured exports of the developing countries, their slower growth would have a direct effect on the export performance of developing countries.

364. In addition, the slower growth will be aggravated by the rapidly changing imbalances in external payments, due to increasing oil prices and generally higher commodity prices. To correct these imbalances, there will be a continued tendency by some industrialised countries to rely on protectionism which will further reduce world trade.

### III. MACRO-ECONOMIC STRATEGIES

365. During the eighties, the Malaysian economy faces greater challenges than the last decade, as it has to accomplish not only the long-term targets of the NEP, but also to compensate for past shortfalls in terms of performance. The perspective growth target was set at 7.9% per annum but the rate achieved during the last decade was 7.8% per annum, implying that during the next decade, the economy will have to grow at



least by 8% per annum to enable the achievement of the various socio-economic objectives. Apart from ensuring rapid growth, strategies to effect the desired structural pattern of development is of paramount importance. Such structural changes in the composition of output, employment and skills and in the ownership of assets will result in substantial reduction in income inequalities among Malaysians and ethnic groups and facilitate the achievement of the restructuring target.

366. Growth in the economy during the last decade was a result of the diversification of agriculture and the adoption of an export-oriented development strategy to maximise the comparative advantage of Malaysia's resource endowment. During the eighties, the country will face a number of constraints, although the prospects for commodity exports, particularly rubber, appear bright. While policies and programmes will be implemented to accelerate newplanting and replanting of rubber, their impact will be felt only during the end of the eighties. The production of timber which accounted for a significant portion of export earnings, is expected to decline as a result of conservation policies while growth in the manufacturing sector will be constrained by the slower growth in export-oriented and labour-intensive industries such as electronics and textiles, largely due to the rising cost of labour. In the face of constraints on exports and the rising deficits in trade of invisibles, the maintenance of a strong balance of payments position will be a challenging task.

367. Increasing the productivity of agriculture, the expansion and diversification of the industrial base, modernization of the financial and services sectors and diversifying the sources of growth are, therefore, important elements of the development strategy. Investment and exports will have to continue to grow at rapid rates and new sources of export growth and import substitution identified and developed. Export promotion and import substitution strategies will be coordinated to maximise the benefit from inter and intra-industry linkages. Fiscal and monetary policies will be geared towards accelerating exports and encouraging efficient import substitution in intermediate and capital goods, mainly to meet the input needs of export-oriented industries and to foster greater integrated production of goods.

368. Another essential element of the development strategy is a balanced socio-economic development among the regions in the country. Attention will be increasingly focussed towards narrowing the existing disparities through a balanced spatial distribution of programmes and projects including the development of new growth centres. Infrastructural facilities and services will be increasingly dispersed to ensure wider access to such services. To meet this requirement, Government implementation machinery will be increasingly decentralised and monitoring and evaluation functions of the public sector agencies will be strengthened.

369. A related problem of rapid development, including industrialization and urbanization, is its impact on environment. Current environmental problems, although not substantial, can be traced to the exploitation of the



country's natural resources as well as the discharge of effluents and emissions arising from rapid industrialization and urbanization. Appropriate policies and programmes will continue to be developed to protect and enhance the quality of environment as well as to ensure a sustained development and a healthy and safe environment for future generations.

#### IV. PROSPECTS FOR GROWTH

370. The growth of the economy during the second decade depends on the capability of the country to bring about the necessary structural change to further diversify the economy as well as to increase the efficiency in the use of resources. The country's resource position will continue to remain strong. However, an orderly development of the natural resources coupled with adequate monitoring of the various demand aggregates is required to sustain the rate of economic expansion consistent with relative price stability.

371. The macro-economic projections of the final demand expenditure, consistent with the attainment of the projected GDP growth of 8% per annum in real terms for the eighties is shown in Table 9-1. Both external and domestic demand will play an increasing role. Exports of goods and services are projected to increase at a higher rate of 9.1% per annum in real terms compared with 7.6% per annum achieved during the 1971-80 period. Total investment is estimated to grow at 7.6% per annum with private investment growing at 9% per annum in real terms to account for 76% of total investment by 1990. In 1980, total investment as a ratio to GDP stood at 26.5% which is already high by international standard. The rate of growth of total investment for the eighties is set at a more moderate level. For the period 1971-90, as a whole, however, the rate of growth of total investment will be 9.9%, higher than that originally projected in the OPP. Public investment will grow more slowly at 4.1% per annum after having grown at 12.6% per annum in real terms during the last decade. The strategy for the remainder of the perspective plan is, therefore, to provide an increasing role for the private sector in the expansion of the investment base of the economy as well as in the attainment of the NEP objectives.

372. Notwithstanding the need to set aside considerable resources for investment, there will be ample growth in consumption to allow for substantial improvements in the welfare of all. Total consumption will constitute about 78% of GDP in 1990. Living standard will be raised as private consumption is projected to grow at 7.4% per annum during the eighties, well ahead of population growth, while public consumption will grow at 9.1% per annum.

373. The change in income and consumption levels implies considerable change in distribution of consumption across sectors. Thus, the share of income devoted to food products will continue to decline while the share of income expended on the purchase of utilities, transport and other services

TABLE 9-1

## MALAYSIA: GROSS DOMESTIC PRODUCT BY EXPENDITURE CATEGORY, 1970-90

	(\$ million in 1970 prices)						Average annual growth rate (%)					Share of GDP (%)			
	1970	1980	1985	1990	1971-80	1981-85	1986-90	1981-90	1971-90	1970	1980	1985	1990		
Total consumption	9,227	20,601	29,683	44,037	8.4	7.6	8.2	7.9	8.1	75.0	78.7	78.5	77.6		
Private	7,310	15,317	21,483	31,420	7.7	7.0	7.9	7.4	7.6	59.4	58.5	56.8	55.4		
Public	1,917	5,284	8,200	12,617	10.7	9.2	9.0	9.1	9.9	15.6	20.2	21.7	22.2		
+ Total investment	2,196	6,943	8,964	14,436	12.2	5.2	10.0	7.6	9.9	17.9	26.5	23.7	25.4		
Private	1,490	4,635	6,813	10,972	12.0	8.0	10.0	9.0	10.5	12.1	17.7	18.0	19.3		
Public	706	2,308	2,151	3,464	12.6	-1.4	10.0	4.1	8.3	5.7	8.8	5.7	6.1		
+ Change in stocks	357	180	95	198	—	—	—	—	—	—	—	—	—		
+ Exports of goods and non-factor services	5,396	11,253	17,899	26,790	7.6	9.7	8.4	9.1	8.3	43.8	43.0	47.3	47.2		
- Imports of goods and non-factor services	4,868	12,429	18,817	28,701	9.8	8.6	8.8	8.7	9.3	39.6	47.5	49.7	50.6		
= Gross domestic product at purchasers' value	12,308	26,188	37,824	56,760	7.8	7.6	8.5	8.0	7.9	—	—	—	—		



will increase markedly. Of particular importance is the increase in expenditures for such services as housing, transportation, education and health. It is important that the economic structure adapts itself to these changes so that the desired goods can be provided to continue to match consumer expectations.

374. Although the economy will continue to rely on imports to meet a large part of its total demand, import growth during the eighties is projected at 8.7% per annum in real terms, well below the 9.8% per annum recorded during the last decade. The structure of imports, which has already undergone substantial changes in the past in response to import substitution, is expected to undergo further changes as a result of import substitution in intermediate and capital goods industries.

375. With the increase in aggregate demand, domestic production will undergo further structural changes during the decade as shown in Table 9-2. Value added in agriculture will expand at a rate of 3.5% per annum, lower than the growth of 4.3% per annum achieved during 1971-80, resulting in its share in total GDP to decline further from 22.2% in 1980 to 14.4% in 1990. Value added in mining and quarrying is projected to increase at 4.4% per annum during the decade, with value added increasing by 3% per annum during 1986-90, compared with 5.8% per annum during 1981-85. Value added in the manufacturing sector will grow at 10.9% per annum, a rate lower than that of 12.5% per annum achieved during 1971-80. This reflects the larger base as well as the fact that further rapid growth in manufacturing will call for the exploitation of opportunities in more complex industrial activities than in the past. Compared with other sectors, however, the manufacturing sector will record the fastest growth resulting in its share of GDP to increase from 20.5% in 1980 to 26.6% in 1990.

376. The growth in both the agricultural and industrial sectors calls for rapid expansion of a number of supporting sectors. Transport, wholesale and retail trade, financial and business services and government services, on the average, will expand at 8.5% per annum while the construction sector will expand by 9.5% per annum, slightly lower than the 9.6% per annum recorded during the last decade.

377. Productivity increases during the eighties will become crucial if the output expansion envisaged is to materialise. The country has reached a stage where its comparative advantage in surplus labour is being eroded and labour cost will gradually cease to be a key factor in providing competitive edge to the economy. Growth in the economy will, therefore, have to emphasise productivity increases through better use of existing capital and labour and more capital-intensive methods of production. Such a development requires increasing access to technology to develop production techniques appropriate to current factor endowments by encouraging local firms and institutions to undertake research and development activities and by increasingly requiring foreign private investment to share their

TABLE 9-2

## MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN, 1970-90

(\$ million in 1970 prices)

Sector	Average annual growth rate (%)										Share of GDP (%)			
	1970	1980	1985	1990	1971-80	1981-85	1986-90	1981-90	1971-90	1990	1970	1980	1985	1990
Agriculture, forestry and fishing	3,797	5,809	6,720	8,193	4.3	3.0	4.0	3.5	3.9	30.8	22.2	17.8	14.4	
Mining and quarrying	778	1,214	1,607	1,863	4.6	5.8	3.0	4.4	4.5	6.3	4.6	4.3	3.3	
Manufacturing	1,650	5,374	9,040	15,121	12.5	11.0	10.8	10.9	11.7	13.4	20.5	23.9	26.6	
Construction	475	1,186	1,824	2,938	9.6	9.0	10.0	9.5	9.5	3.9	4.5	4.8	5.2	
Electricity, gas and water	229	592	953	1,500	10.0	10.0	9.5	9.7	9.9	1.9	2.3	2.5	2.6	
Transport, storage and communications	581	1,696	2,492	3,834	11.3	8.0	9.0	8.5	9.9	4.7	6.5	6.6	6.8	
Wholesale and retail trade, hotels and restaurants	1,633	3,295	4,841	7,279	7.3	8.0	8.5	8.2	7.8	13.3	12.6	12.8	12.8	
Finance, insurance, real estate and business services	1,036	2,155	3,079	4,629	7.6	7.4	8.5	7.9	7.8	8.4	8.2	8.1	8.2	
Government services	1,367	3,398	5,228	8,044	9.5	9.0	9.0	9.0	9.3	11.1	13.0	13.8	14.2	
Other services	306	657	948	1,459	7.9	7.6	9.0	8.3	8.1	2.5	2.5	2.5	2.6	
Less: imputed bank service charges	117	308												
Plus: import duties	573	1,120	1,092	1,900										
Equals: Gross domestic product at purchasers' value	12,308	26,188	37,824	56,760	7.8	7.6	8.5	8.0	7.9					



technological and management expertise with Malaysians. Equally important is to continuously upgrade the educational level of the labour force and expand the training facilities of both the private and public sectors.

## V. SECTORAL STRATEGIES

378. The *agricultural sector* will continue to be developed in view of its importance as a source of export earnings and raw materials for the manufacturing sector as well as for poverty eradication, despite its decline in importance in terms of contribution to GDP. In the agricultural sector, further efforts will be made to expand production and improving productivity and incomes of farmers. The country's major agricultural commodities such as rubber, palm oil, cocoa and timber will experience continued strong prices during the eighties.

379. Rubber, in particular, will benefit considerably from the expected increases in energy costs which make synthetic rubber less competitive. It is envisaged that natural rubber will be able to absorb the major portion of the increase in demand for total elastomers on account of its competitiveness. Total elastomers is forecast to increase by 5.3% per annum in the eighties and it is likely that the demand for natural rubber would exceed this rate of increase. Malaysia will benefit from an accelerated growth in production, and taking into account capacity increases in other rubber producing countries, the country should expand its production at a rate of about 7% per annum, that will not materially affect the price trends in the world market. This entails opening up of new land for rubber at a rate of 58,300 hectares per annum. At the same time, intensified effort to improve productivity through new production techniques, credit and subsidy schemes and improvement in farming operations will be undertaken.

380. In the case of palm oil, increases in export prices are expected to decelerate in the light of the prospective increases in the world supply of oils and fats. The return to investment, however, will still be high to justify further increases in production. While it is expected that the market share of palm oil in total oils and fats would decline, Malaysia is expected to be capable of securing increases in the share of world palm oil market. The strategy on the planting of oil palm will be to increase productivity of existing acreages through replanting.

381. An important element in the strategy for rubber and oil palm is the monitoring of labour supplies in the cultivation of these crops. To maintain the competitive edge requires that labour supplies are maintained in these activities or new technologies be developed to allow an efficient substitution of labour for capital.

382. Timber resources, another mainstay of the economy, are being depleted and an efficient use of timber resources to reduce wastages and a consistent reforestation programme will be required to ensure adequate



supplies of timber for the manufacturing and construction sectors. In this regard, the National Forestry Policy, adopted in 1978, will be implemented vigorously for the conservation, management and development of the forest resources on a systematic basis.

383. With respect to food production, continuous effort will be made to increase the supply of food. With increases in population, consumption of rice is anticipated to grow at 2.4% per annum. The policy of self-sufficiency in rice production will be maintained through increases in the yield of existing acreage as well as increases in acreage. In addition, other food crops and livestock production will be expanded, through optimal utilization of existing cultivable land and expansion of the livestock industry.

384. The *manufacturing sector* is projected to grow at a rapid rate of 10.9% per annum. The source of growth for this sector will come from export expansion and import substitution. The continued expansion of this sector is vital to provide employment opportunities as well as to reduce poverty and imbalances in the structure of employment among ethnic groups and regions.

385. In order to achieve the manufacturing sector output target, greater effort will be made to exploit the comparative advantage in the processing of agricultural products. In 1980, the share of domestic processing of rubber accounts for only 2.7% of domestic production. The Government will emphasise the processing of primary commodities, as part of its strategy to encourage the growth of resource-based industries to meet the demand for the domestic market and for export. Such further processing of primary products will lead to increases in value added, employment and foreign exchange.

386. The domestic demand for textiles is expected to grow at about 9% per annum and the scope for further expansion of the textiles industry will depend on progress made in liberalising trade restrictions and development of new markets. Considerable consolidation and rationalization of the textiles industry will be required to further increase its efficiency to compete in world markets. In the case of electronics and electrical industry, encouragement will be given for it to proceed further from the initial phase of assembly operations to manufacturing products embodying more advanced technology through research and development and participation in industrial marketing leading to the consolidation of the electronics and electrical industry. More importantly, the competitive position of labour-intensive industries such as textiles and electronics are likely to be eroded over time as the economy moves to a position of full employment. Necessary steps, therefore, will be taken to develop new manufactured export activities based on Malaysia's comparative advantage and which requires relatively less labour.



387. The expansion in the size of the domestic market and the increases in income and living standards of the population will result in the growth of domestic demand for consumer durables. In addition, the expansion of the industrial base will also make it profitable for an expanded development of capital and intermediate goods, the imports of which accounted for 50.3% of total imports in 1980. Further, with the growth in domestic markets and exports, the outlook for packaging materials industry is favourable. The growing demand for building materials to meet the public and private sector construction programmes will require expanded domestic supplies of construction materials and considerable emphasis will be placed on the expansion of industries related to the manufacture of construction materials.

388. With the establishment of the Heavy Industries Corporation Malaysia Berhad, a coordinated effort will be made to develop the capital goods industries jointly with the private sector. The development of heavy industries will enable a greater integration and strengthening of the linkages in the economy.

389. The success in the projected expansion of the manufacturing sector will depend on domestic demand as well as rapid growth in exports. While in 1980, manufactured exports accounted for 27.5% of total exports, its share is projected to increase to 41% by 1990, leading to a declining share of primary commodity exports. The achievement of this high level of manufactured exports will pose major challenges and requires efforts to develop new export industries, improve the competitiveness of existing and new exports as well as to expand into existing and new markets.

390. In view of the rapid changes which have taken place in the manufacturing sector and the projected changes in the structure of industries, present incentives and tariff system will be reviewed. The review will form a component part of the sub-sectoral studies of the manufacturing sector to be undertaken in conjunction with the preparation of a long-term master plan for the industrial sector. The result of the studies will be used to assign priorities in industrial development in terms of the contribution to development objectives as well as a basis for selection of industries for export promotion as well as further import substitution.

391. The *mining sector* is projected to increase at 4.4% per annum during the eighties, with output increasing at 5.8% per annum during 1981-85 and at a rate of 3% per annum during 1986-90. The slow growth in the eighties is due to the depletion in alluvial tin bearing deposits as well as slowdown in the rate of production of crude petroleum. While upgrading of technologies and favourable price and tax position will allow existing mines to continue to operate, the scope for further expansion is limited. Alternative sources of minerals, including tin, are available in the Central Mountain Range and offshore areas. Exploitation of these non-traditional sources will



carry high risks as it requires large outlays of capital, application of sophisticated technologies and highly trained manpower. Appropriate policies will be formulated to assist the industry in meeting these new challenges and ensure an orderly transition to new supply sources.

392. In 1980, oil accounted for about 95% of the total energy consumption. With increasing emphasis on industrialization and mechanization of agriculture and expansion of transport, energy consumption is expected to grow at a rate higher than the overall growth of the economy. While in the short-term, this growth in demand will have to be met by oil, the longer term efforts will be focussed on diversifying into other sources of energy such as natural gas, hydro-electricity, coal and solar.

393. The prospects for the development of the natural gas industry to meet domestic and export needs are bright. The present reserves of natural gas provide an important alternative source of energy which would enable a smooth transition from oil to other commercially viable forms of energy. Natural gas from offshore fields in Trengganu, Sabah and Sarawak will be used for the generation of electricity and to produce liquefied petroleum gas (LPG) to meet increasing demand by household and transport sectors as well as for the development of the petro-chemical industries. In addition, during the decade, the domestic refining capacity will be significantly enhanced with the establishment of oil refineries in Melaka and Trengganu.

394. The Government is also undertaking a study for the development of the country's water resources to meet the energy needs. In its efforts to develop an overall energy plan, emphasis will be placed on the development and exploitation of alternative energy sources, conservation and efficiency in the use of energy through realistic pricing policy and research and development.

395. Value added in the *construction sector* is projected to increase at 9.5% per annum during 1981-90, slightly lower than the rate of 9.6% per annum achieved during 1971-80. The major source of growth for the construction sector will be related to the demand for non-residential buildings as a result of the expansion of the manufacturing and services sectors as well as demand for housing.

396. The demand for housing will continue to accelerate and will receive priority attention by the Government. While the magnitude of the housing problems will be sizable, priority will be given to expand the supply of low-cost housing units. The Government will expand its resources to public sector housing agencies and state governments to increase the supply of low-cost houses, including provision of adequate incentives for house ownership and subsidised loans. In addition, measures will be taken to lower the cost



and prices of dwelling units through curbing speculation in real estate transactions, improving administrative procedures and ensuring adequate supplies of construction materials and skilled labour. Further, research into cost reducing methods of construction will be undertaken.

397. The *services sector* as a whole is estimated to grow at 8.5% per annum. Activities of the individual services sector will expand considerably in line with increasing diversification of the economy and modernization of the services provided by both the public and private sectors.

398. The utilities sector is expected to grow at 9.7% per annum largely in response to Government's programme to increase the capacity of power generation and water supply and to ensure their wider distribution. The transport, storage and communications sector is also envisaged to expand at 8.5% per annum as a result of expansion of infrastructural facilities, with emphasis on increasing such facilities in the less-developed areas. In addition, the expansion in the activities of the Malaysian International Shipping Corporation (MISC) and the Malaysian Airlines Systems (MAS), together with the policy of encouraging Malaysian cargo to be carried in domestic vessels, will also be an important contributing factor. Further, the expansion of domestic shipping capacity will also help to reduce the dependence on foreign vessels for international transportation of Malaysia's exports and imports and contribute towards reducing the deficits in the services account of the balance of payments.

399. Expansion of the government services sector at 9% per annum will be largely due to continued provision of economic and social services to meet the NEP objectives. The growth of 8.2% and 7.9% per annum, respectively, in the wholesale and retail trade, and banking, financial and insurance services will be mainly due to the expansion of manufacturing, construction, mining and agricultural sectors. As the range of products and markets, especially in the manufacturing sector, widens and becomes more diversified, the supporting activities of these sectors are envisaged to grow at rapid rates. The banking, financial and insurance services sector is expected to grow in sophistication with continuing improvement in the provision of its services in order to mobilise savings as well as to finance business activities, especially in the rural areas. In the case of the insurance industry, a major factor which will account for its expansion is the Government's policy of reducing the deficit in the services account of the balance of payments, through increasing the capacity of the domestic insurance industry to provide insurance services to export and import businesses which in the past were provided mainly by insurance companies located overseas.

## **VI. PRICES AND WAGES.**

400. The objective of promoting rapid growth and reducing imbalances will be pursued within a framework of relative price stability. The high level of aggregate demand anticipated during the decade emanating from the



relatively buoyant external sector, coupled with expanding public and private sectors expenditure will generate domestic inflationary pressures. The increase in prices of imported inputs and the rise in domestic wages as a result of labour market tightness will provide additional pressures for rapid increase in domestic prices. The strategy will be to check inflationary trends without slowing down the economy and to relieve the burden of inflation on the poor through appropriate fiscal and monetary policies as well as direct assistance to the poor.

401. Measures will be taken to ensure that growth in money supply is consistent with the need to stimulate business and investment activity without jeopardising the need to maintain monetary and price stability. In addition, efforts will be made to ensure that a rising proportion of bank lending will be directed towards the financing of investment to expand productive capacity, and that credit will continue to be made available to priority sectors at a reasonable cost.

402. Three major areas will constitute the focus for implementation of fiscal policies to contain inflation. First, public consumption expenditures not directly related to the implementation of programmes and projects will be given low priority. Public sector capital formation will concentrate mainly on programmes aimed at poverty eradication and restructuring of society and expanding social services such as education, housing and health and the essential infrastructural facilities. Second, public expenditure will only assume an expansionary role during periods of weak private sector performance and external demand, to the extent necessary to maintain aggregate demand in the economy. Third, taxes and subsidies will be used to remove supply constraints and to increase production. Among the measures to remove supply constraints will be intensification of food production, improving yield through research, credit, marketing and extension services, removal of bottlenecks in the distribution system of commodities and increasing the availability of inputs through domestic production.

403. As the economy moves towards full employment, inflationary pressures can be exacerbated by unrestrained increase in wages in both the public and private sectors. It will, therefore, be necessary for the development of norms to guide wage adjustments. While continuing efforts will be made through appropriate policies to relate wages of the lowest income group to meet the minimum basic needs, wage adjustments at other levels should reflect productivity and the capacity to pay. Priority will be given to increase the effectiveness of the employment services as well as to improve data on cost of living, wages, and migration pattern of labour. In addition, programmes to ensure proper matching of demand and supply of labour by location, sectors and skills will be developed. However, as the economy advances towards full employment position, labour shortages can be ameliorated through efficient utilization of labour and continued introduction of labour saving devices.



## VII. TOWARD FULL EMPLOYMENT

404. The growth and structural change projected for the period 1981-90 will lead to generation of employment opportunities such that by 1990 full employment of the labour force can be attained. Employment is estimated to grow by 3.2% per annum during 1981-90, a rate higher than the labour force growth of 3% per annum, leading to an unemployment rate of 3.2%.

405. Total number of jobs estimated to be created will amount to 1,908,200 compared with new entrants of 1,849,600 during the period. As shown in Table 9-3, about 37.7% of the new job creation is expected to be accounted for by the construction, mining and manufacturing sectors. The tertiary sector comprising the various service sectors, will account for 50.4% of the total new job creation, while the share of agriculture will amount to 8.2%. A greater portion of the investment in agriculture will result in increasing the productivity of workers in the rural areas. The leading sector, in terms of job creation, will continue to be the manufacturing sector, which will account for 19.5% of total employment in 1990, compared with 15.8% in 1980.

406. Labour productivity will increase significantly during the period. In the agricultural sector, value added per worker will grow at a higher rate leading to considerable reduction in underemployment, thereby alleviating poverty. Value added per worker in manufacturing will grow more rapidly at 5.1% per annum largely due to increases in capital intensity of production as well as better training of workers. The growth in value added per worker in the services sector will be less rapid than the secondary sector but will grow at a high rate due to increasing modernization of the sector.

407. The occupational structure of the labour force will undergo significant changes in line with the structure of production. With the increasing skill intensity in production activities, the share of professional, technical, administrative and managerial workers as well as production workers, will rise rapidly to 40.4% of the total employed, compared with 37.5% in 1980. The changes envisaged in the occupational structure will require continuing efforts to upgrade the productivity of the agricultural and industrial workforce through improvement in farm practices and extension services and expanded vocational training facilities. The public sector activities will need to be supplemented by the private sector to meet the trained manpower needs of the country.



TABLE 9-3

## MALAYSIA: EMPLOYMENT GROWTH, 1980-90

Sector	1980		1990		Increase 1981-90 ('000)	Share in job creation 1981-90 (%)	Average annual growth rate of employ- ment 1981-90 (%)	Average annual growth rate of real productivity 1981-90 (%)
	Estimated employment ('000)	Share of total (%)	Estimated employment ('000)	Share of total (%)				
Agriculture, forestry and fishing	2,066.9	40.6	2,223.9	31.8	157.0	8.2	0.7	2.8
Mining and quarrying	89.6	1.7	93.1	1.3	3.5	0.2	0.4	4.0
Manufacturing	803.1	15.8	1,368.7	19.5	565.6	29.6	5.5	5.1
Construction	262.8	5.2	413.6	5.9	150.8	7.9	4.6	4.6
Electricity, gas and water	49.5	1.0	75.2	1.1	25.7	1.4	4.3	5.3
Transport, storage and communications	193.2	3.8	263.4	3.8	70.2	3.7	3.2	5.2
Wholesale and retail trade, hotels and restaurants	648.5	12.7	1,034.9	14.8	386.4	20.3	4.8	3.3
Finance, insurance, real estate and business services	52.1	1.0	80.7	1.1	28.6	1.5	4.5	3.3
Government services	710.1	13.9	1,104.0	15.8	393.9	20.6	4.5	4.3
Other services	217.7	4.3	344.2	4.9	126.5	6.6	4.7	3.5
<b>TOTAL</b>	<b>5,093.5</b>	<b>100.0</b>	<b>7,001.7</b>	<b>100.0</b>	<b>1,908.2</b>	<b>100.0</b>	<b>3.2</b>	<b>4.7</b>
Population	14,261.2		18,143.0					
Labour force	5,380.0		7,229.6					
Unemployment	286.5		227.9					
Unemployment rate (%)	5.3		3.2					



408. One of the major challenges posed in the transition towards full employment is the emergence of labour shortages specific skills and types which calls for considerable adaption of production techniques and upgrading of skills. The aim is to provide for as smooth a transition as possible so that investment opportunities and production activities are optimised. The Government will develop the necessary information system to monitor the labour supply situation as well as to take corrective action.

### VIII. STRATEGIES FOR ERADICATION OF POVERTY

409. Progress in poverty eradication led to a decline in the incidence of poverty from 49.3% in 1970 to 29.2% in 1980. This progress was achieved as a result of rapid economic and social development during 1971-80, with significant improvements in employment and productivity in agriculture through programmes such as land and *in situ* development, and aided by high commodity prices.

410. The OPP envisaged that the incidence of poverty will decline to 16.7% in 1990. To achieve this target in the face of uncertainties in the prices of commodities and the possible escalation in consumer prices, requires concerted efforts to accelerate development in both urban and rural sectors where poverty still prevails. Towards this end, appropriate policy measures will be formulated and adequate resources provided for poverty eradication programmes and for the provision of basic social services. In Sabah and Sarawak, in view of the widely dispersed population, different agricultural practices as well as less-developed infrastructural and institutional facilities, strategies and programmes designed to meet the particular needs of the target groups will be developed.

411. One strategy for reducing poverty which the Government will continue to pursue is productivity improvements. In the past, the programmes for poverty eradication have enabled those close to the poverty line income to rise above poverty. However, those with low productive assets and skills were not able to do so although they shared in the benefits of development programmes. In view of this, the focus of poverty eradication efforts during the next decade will be the improvement of the hard-core poor, such as those farm households with uneconomic holdings, agricultural labourers, fishermen, shifting cultivators and mixed farmers.

412. The strategy of employment creation will be continued to reduce underemployment and to provide scope and leverage for absorbing the poor and the new entrants into the labour force. About 1.9 million jobs will be created during 1981-90, of which 91.8% will be in the non-agricultural sectors. In addition, programmes for land development involving a target of 81,000 hectares per annum and land rehabilitations of underutilised lands will also provide avenue for reducing underemployment and increasing farm utilization in the rural areas.



413. Development of existing agricultural areas on integrated basis is a strategy which will be continued as development along this pattern allows effective utilization of land and farm resources. Development inputs will be provided on an integrated basis to ensure quick and organised delivery of the various components of public sector programmes, such as input subsidies, extension, marketing and processing as well as social services. The aim is to accelerate poverty eradication in the agricultural sector through greater participation of the farming community in activities beyond production, in processing and distribution so as to diversify their productive capacity and facilitate income improvements among the poor.

414. Poverty eradication among the urban poor will continue to be emphasised during the eighties. It is expected that the urban poor will remain large in number due to rapid in-migration in search of better income earning opportunities. The high cost of urban living and inadequate housing are expected to be the main problems of the urban poor. The policy for advancing industrial development, especially of small-scale industries, will provide greater employment and help improve incomes of the urban poor while industrial dispersal to less-developed states and regions help to reduce the flow of the poor to a few established urban centres.

415. The strategy for poverty eradication through improvement in the quality of life with better access to social amenities in both rural and urban areas will be continued. These programmes will include low-cost housing, supplies of electricity and potable water, health and education services. Their provision by the public sector constitutes real benefits to the poor. The quality of life of the estate workers will be further enhanced with the co-operation of the estate management.

416. In view of the multi-faceted nature of poverty problem, the Government will continue to monitor major developments in the fields of input subsidies, consumer prices, public services and fiscal policies and their implications on poverty. This is to ensure that major constraints to poverty eradication efforts are reduced to the minimum to enable the attainment of the targets by 1990. The projection for 1990 in respect of poverty incidences for various groups is indicated in Table 9-4.

417. Table 9-4 indicates that the incidence of poverty is projected to decline to 15% of total households in Peninsular Malaysia in 1990, slightly below the OPP target of 16.7%. The projection shows that levels of poverty in the rural and urban areas are 21.6% and 6.9%, respectively. Within the rural areas, the rubber smallholders and estate households are expected to experience rapid decline in poverty in view of the expected high rubber prices during the decade. However, the incidence of poverty is still above the OPP targets for *padi* farmers and fishermen, in view of the problems of uneconomic farm sizes as well as inadequate capital and low productivity among the households.



TABLE 9-4

PENINSULAR MALAYSIA: INCIDENCE OF POVERTY BY  
RURAL-URBAN STRATA, 1990

	Total households (000)	Total poor households (000)	Incidence of poverty (%)	Percentage among poor (%)
<b>RURAL</b>				
Agriculture	906.5	258.4	28.5	56.2
Rubber smallholders	416.2	57.0	13.7	12.4
Oil palm smallholders	22.7	1.5	6.6	0.3
Coconut smallholders	28.3	7.0	24.7	1.5
Padi farmers	133.1	64.3	48.3	14.0
Other agriculture <sup>1</sup>	265.5	115.7	43.6	25.2
Fishermen	40.7	12.9	31.7	2.8
Other industries	778.9	105.9	13.6	23.1
Sub-total	1,685.4	364.3	21.6	79.3
<b>URBAN</b>				
Mining	5.5	1.7	30.9	0.4
Manufacturing	405.1	35.2	8.7	7.7
Construction	56.6	5.1	9.0	1.2
Transport and utilities	128.2	13.6	10.6	3.0
Trade and services	782.2	39.3	5.0	8.4
Sub-total	1,377.6	94.9	6.9	20.7
TOTAL	3,063.0	459.2	15.0	100.0

<sup>1</sup> This category includes estate households, New Village residents, mixed farmers and agricultural labourers.

**IX. STRATEGIES FOR RESTRUCTURING OF SOCIETY**

418. The two important targets in the restructuring of society are that employment in the various sectors of the economy and at all occupational levels should reflect the racial composition of the country by 1990 and that ownership of productive wealth should be restructured so that by 1990, Bumiputera owns and operates at least 30% of the total.

419. The main thrust of the employment restructuring effort will be through education and training programmes to enable greater expansion of output of trained Bumiputera, particularly at the tertiary level. The share of Bumiputera output from local institutions in the fields of engineering, and architecture and town planning at the degree level is still low although rapid progress has been made in the share of Bumiputera enrolment and output in medicine and dentistry. Positive efforts will be made in the eighties to intensify education and training programmes for Bumiputera in areas related to business, science and technology. In addition, the continuing direct public sector involvement in the commercial and industrial activities will contribute to the employment restructuring effort. The combined effect of these



programmes and those undertaken during the last decade, which are now beginning to produce results, will lead to an employment pattern by sectors and ethnic groups as projected in Table 9-5. The share of Bumiputera employment in the secondary sector will increase from 39.8% in 1980 to 50.1% in 1990 while in the tertiary sector it will stabilise at about 47%. The share of the Chinese in the primary sector will increase from 19.9% to 29.4% and that of the Indian will decline from 13% to 10.8% during the same period.

420. In specific occupations, particularly in the higher paid categories such as accountancy, law and architecture where professional training is required, positive efforts will be made to promote the provision of the required training programme. These include measures to encourage private sector employers to restructure their workforce at all levels of occupation through job placement and sponsorship schemes, and provision of fiscal incentives. By 1990, the employment pattern by occupation and ethnic groups is expected to be that as shown in Table 9-6. In 1990, Bumiputera representation in the professional and technical, and administrative and managerial categories are expected to be 48.5% and 47.9%, respectively. Overall, the percentage distribution by occupation will be about that of the racial composition of the population.

421. The strategy to ensure the attainment of at least 30% Bumiputera ownership of share capital in the corporate sector will continue to be the acquisition of share capital by trust agencies. The trust agencies, which include *Permodalan Nasional Berhad* (PNB), *Perbadanan Nasional Berhad* (PERNAS), *Majlis Amanah Rakyat* (MARA), and State Economic Development Corporations (SEDCs) will be the main vehicles for the purchase of existing shares that will be offered when companies restructure their equity and for investment in new ventures. To accelerate this process, the manpower capacity and financial resources of such agencies will be increased during the eighties. Their activities and programmes will be further consolidated and rationalised so as to avoid duplication and economise on the use of resource. The investment strategy for the trust agencies will focus on the high growth industries and those where current Bumiputera share capital ownership is relatively low.

422. The transfer of share capital of viable companies currently held by trust agencies to Bumiputera individuals and interests will be effected beginning in 1981. It is targetted that by 1990, the equity in these companies will be sold to PNB, the management and employees of the affected companies and several Bumiputera institutions including cooperatives. The shares held by PNB will be sold to Bumiputera through a national unit trust scheme with the objective that a large majority of Bumiputera will benefit from ownership of share capital. Such a scheme will also help in the growth of Bumiputera income and consequently enable them to acquire additional share capital on their own.



TABLE 9-5

## PENINSULAR MALAYSIA EMPLOYMENT BY SECTOR AND RACE, 1980, 1985 AND 1990

(000)

Sector	1980				
	Malay	Chinese	Indian	Others	Total
Primary <sup>2</sup> (%)	1,020.2 (66.3)	306.1 (19.9)	199.4 (13.0)	13.4 (0.9)	1,539.1 (100.0)
Secondary <sup>3</sup> (%)	495.4 (39.8)	636.0 (51.1)	105.8 (8.5)	7.5 (0.6)	1,244.7 (100.0)
Tertiary <sup>4</sup> (%)	695.9 (47.0)	615.9 (41.6)	155.5 (10.5)	13.3 (0.9)	1,480.6 (100.0)
Total employed (%)	2,211.5 (51.9)	1,558.0 (36.5)	460.7 (10.8)	34.2 (0.8)	4,264.4 (100.0)
Labour force (%)	2,331.4 (51.7)	1,645.4 (36.5)	498.1 (11.0)	37.2 (0.8)	4,512.1 (100.0)
Unemployment (%)	119.9 (5.1)	87.4 (5.3)	37.4 (7.5)	3.0 (8.1)	247.7 (5.5)
	1985				
Primary (%)	997.4 (62.9)	395.2 (24.9)	179.1 (11.3)	13.7 (0.9)	1,585.4 (100.0)
Secondary (%)	718.1 (45.9)	695.7 (44.5)	142.4 (9.1)	7.7 (0.5)	1,563.9 (100.0)
Tertiary (%)	866.7 (47.2)	736.9 (40.2)	215.0 (11.7)	16.5 (0.9)	1,835.1 (100.0)
Total employed (%)	2,582.2 (51.8)	1,827.8 (36.7)	536.5 (10.8)	37.9 (0.8)	4,984.4 (100.0)
Labour force (%)	2,711.5 (51.7)	1,921.9 (36.6)	570.6 (10.9)	40.6 (0.8)	5,244.6 (100.0)
Unemployment (%)	129.3 (4.8)	94.1 (4.9)	34.1 (6.0)	2.7 (6.7)	260.2 (5.0)
	1990				
Primary (%)	970.6 (59.0)	483.5 (29.4)	178.5 (10.8)	13.4 (0.8)	1,646.0 (100.0)
Secondary (%)	968.9 (50.1)	771.6 (39.9)	183.8 (9.5)	10.2 (0.5)	1,934.5 (100.0)
Tertiary (%)	1,068.1 (46.9)	921.8 (40.5)	266.5 (11.7)	20.4 (0.9)	2,276.8 (100.0)
Total employed (%)	3,007.6 (51.3)	2,176.9 (37.2)	628.8 (10.7)	44.0 (0.8)	5,857.3 (100.0)
Labour force (%)	3,106.7 (51.3)	2,248.8 (37.2)	649.6 (10.7)	45.4 (0.8)	6,050.5 (100.0)
Unemployment (%)	99.1 (3.2)	71.9 (3.2)	20.8 (3.2)	1.4 (3.1)	193.2 (3.2)

<sup>2</sup> Agriculture.<sup>3</sup> Mining, manufacturing, construction and transport.<sup>4</sup> Wholesale and retail trade, banking, public administration, education, health, defence and utilities.



TABLE 9-6

PENINSULAR MALAYSIA: EMPLOYMENT BY OCCUPATION  
AND RACE, 1980, 1985 AND 1990

(000)

Occupation	1980				
	Malay	Chinese	Indian	Others	Total
Professional and technical (%)	118.2 (50.0)	87.1 (36.9)	26.9 (11.4)	4.0 (1.7)	236.2 (100.0)
Administrative and managerial (%)	16.2 (31.6)	29.2 (57.0)	3.1 (6.1)	2.7 (5.3)	51.2 (100.0)
Clerical and related workers (%)	169.4 (55.3)	110.8 (36.2)	21.0 (6.9)	5.3 (1.7)	306.5 (100.0)
Sales and related workers (%)	99.8 (23.1)	299.0 (69.2)	32.7 (7.6)	0.8 (0.2)	432.3 (100.0)
Service workers (%)	168.4 (47.9)	140.1 (39.9)	40.7 (11.6)	2.1 (0.6)	351.3 (100.0)
Agricultural workers (%)	998.9 (67.7)	289.9 (19.7)	175.4 (11.9)	10.6 (0.7)	1,474.8 (100.0)
Production, transport and other workers (%)	640.6 (45.4)	601.9 (42.6)	160.9 (11.4)	8.7 (0.6)	1,412.1 (100.0)
TOTAL (%)	2,211.5 (51.9)	1,558.0 (36.5)	460.7 (10.8)	34.2 (0.8)	4,264.4 (100.0)
Occupation	1985				
	Malay	Chinese	Indian	Others	Total
Professional and technical (%)	161.2 (49.9)	118.1 (36.6)	38.2 (11.8)	5.5 (1.7)	323.0 (100.0)
Administrative and managerial (%)	24.3 (40.6)	28.9 (48.2)	4.8 (8.0)	1.9 (3.2)	59.9 (100.0)
Clerical and related workers (%)	185.9 (51.1)	135.0 (37.1)	39.1 (10.8)	3.5 (1.0)	363.5 (100.0)
Sales and related workers (%)	153.9 (29.7)	313.9 (60.5)	49.3 (9.5)	1.8 (0.3)	518.9 (100.0)
Service workers (%)	222.1 (49.9)	165.8 (37.3)	53.0 (11.9)	3.8 (0.9)	444.7 (100.0)
Agricultural workers (%)	980.2 (64.6)	363.3 (23.9)	162.7 (10.7)	12.1 (0.8)	1,518.3 (100.0)
Production, transport and other workers (%)	854.6 (48.7)	702.8 (40.0)	189.4 (10.8)	9.3 (0.5)	1,756.1 (100.0)
TOTAL (%)	2,582.2 (51.8)	1,827.8 (36.7)	536.5 (10.8)	37.9 (0.8)	4,984.4 (100.0)
Occupation	1990				
	Malay	Chinese	Indian	Others	Total
Professional and technical (%)	190.3 (48.5)	148.0 (37.7)	47.7 (12.2)	6.2 (1.6)	392.2 (100.0)
Administrative and managerial (%)	35.3 (47.9)	29.4 (39.9)	7.6 (10.3)	1.4 (1.9)	73.7 (100.0)
Clerical and related workers (%)	202.6 (46.5)	171.2 (39.3)	57.4 (13.2)	4.7 (1.1)	435.9 (100.0)
Sales and related workers (%)	224.5 (35.7)	330.2 (52.5)	72.3 (11.5)	2.5 (0.4)	629.5 (100.0)
Service workers (%)	288.1 (50.8)	204.3 (36.1)	68.4 (12.1)	5.9 (1.0)	566.7 (100.0)
Agricultural workers (%)	963.9 (61.0)	449.5 (28.4)	153.7 (9.7)	13.4 (0.8)	1,580.5 (100.0)
Production, transport and other workers (%)	1,102.9 (50.6)	844.3 (38.8)	221.7 (10.2)	9.9 (0.5)	2,178.8 (100.0)
TOTAL (%)	3,007.6 (51.3)	2,176.9 (37.2)	628.8 (10.7)	44.0 (0.8)	5,857.3 (100.0)

This category includes all professionals, ranging from lawyers and engineers to nurses and teachers, in public as well as private sectors.



423. In addition to these strategies, Bumiputera individuals and interests including cooperatives are expected to avail themselves of the opportunities provided by the growth of the corporate sector for share capital acquisitions. The emerging pattern of share capital ownership in 1990 is as shown in Table 9-7. To achieve the target, ownership by Bumiputera individuals and trust agencies will have to grow at an average annual rate of 21.2%. While the percentage own by other Malaysians will remain constant, in terms of absolute amount, their share will increase substantially from \$10.5 billion to \$29.8 billion by 1990.

TABLE 9-7

MALAYSIA: OWNERSHIP AND CONTROL OF THE CORPORATE SECTOR, 1980-90

(\$ million)

	1980 <sup>6</sup>	%	1985	%	1990	%	Annual growth rate (%) 1981-90
Malaysian residents <sup>7</sup>	13,817.8	52.5	27,188.8	63.0	52,193.9	70.0	14.2
Bumiputera individuals and trust agencies	3,273.7	12.4	9,926.0	23.0	22,368.8	30.0	21.2
Bumiputera individuals <sup>8</sup>	1,128.9	4.3	1,976.1	4.6	3,891.4	5.2	13.2
Bumiputera trust agencies <sup>9</sup>	2,144.8	8.1	7,949.9	18.4	18,477.4	24.8	24.0
Other Malaysian residents <sup>10</sup>	10,544.1	40.1	17,262.8	40.0	29,825.1	40.0	11.0
Foreign residents	12,505.2	47.5	15,968.0	37.0	22,368.8	30.0	6.0
Share in Malaysian companies	7,128.0	27.1	9,740.5	22.6	14,539.7	19.5	7.4
Net assets of local branches	5,377.2	20.4	6,227.5	14.4	7,829.1	10.5	3.8
TOTAL <sup>11</sup>	26,323.0	100.0	43,156.8	100.0	74,562.7	100.0	11.0

Source: Annual Ownership Survey of Limited Companies conducted by the Department of Statistics (1971-76) and records of the Registrar of Companies (1977-79).

<sup>6</sup> Estimated.

<sup>7</sup> Classification is by residential address of shareholders, not by citizenship. It includes foreign citizens residing in Malaysia. Steps have been taken to enable classification of ownership group by citizenship status.

<sup>8</sup> Includes institutions channelling funds of individual Bumiputera such as Lembaga Urusan dan Tabung Haj, Amanah Saham MARA and cooperatives.

<sup>9</sup> Shares held through institutions classified as Bumiputera trust agencies such as PERNAS, MARA, UDA, SEDCs, Bank Bumiputra, BPMB, SIMA and PNB. Previously this item was classified as Bumiputera interests.

<sup>10</sup> Includes shares held by nominee and other companies.

<sup>11</sup> Excludes government holdings other than through trust agencies.

424. The creation of a commercial and industrial community among Bumiputera will be more vigorously pursued in view of its significant contribution to increasing income, restructuring the employment pattern and asset ownership in the corporate sector. In this regard, current strategies involving the provision of training, financial and credit assistance, technical and advisory services, and administrative support will be further



intensified. New programmes and measures will be implemented to promote the growth of Bumiputera small-scale entrepreneurs. These measures, which include apprenticeship or adoption schemes whereby large enterprises provide on-the-job training to potential Bumiputera entrepreneurs, will be encouraged and promoted. The streamlining of activities of public enterprises will eliminate competition between them and Bumiputera individuals and interests.

425. To create a more visible and effective Bumiputera commercial and industrial community, MARA, UDA and SEDCs will intensify their efforts in the provision of premises to Bumiputera entrepreneurs in shopping complexes and new townships in both urban and rural areas. As a complement to these efforts, MARA will continue to provide training through its entrepreneurial development programmes.

426. In view of the comparatively lower average income of the Bumiputera, thereby placing them individually in disadvantaged position to exploit opportunities generated by public policies and programmes, collective efforts will be promoted among them. In this regard, cooperatives and associations involving Bumiputera will be further developed to provide the necessary vehicle through which Bumiputera savings will be mobilised and a more concerted effort taken in the investment field. The existence of these cooperatives and associations will also help in directing the flow of Government assistance to the target groups and reduce the high overheads involved in mobilising savings and investment, and ensure that the benefits from opportunities generated by public policies and programmes are widely distributed.

427. Both the poverty eradication and restructuring efforts require large amount of resources, organization and time. The availability of resources coupled with continuing and vigorous efforts to implement policies and programmes will contribute to the attainment of the targets set for 1990. The progressive expansion of the economy will also provide ample opportunities for the participation of all Malaysians in the economic growth of the nation.

## **X. REGIONAL DEVELOPMENT**

428. In accordance with the goals of the NEP, regional development during the eighties will continue to be directed towards reducing the socio-economic disparities between regions. Towards this end, concerted efforts will be made to accelerate the development pace in the less-developed



regions and improve their access to modern services and amenities. There will also be intensification of programmes for optimal exploitation of human

and physical resources, dispersal of industries as well as extension and improvement of transportation and communication networks. In addition, development of growth centres will be further pursued through upgrading of existing towns and establishment of new townships which will facilitate, *inter alia*, the creation of a Bumiputera commercial and industrial community.

#### **Economic growth**

429. Reduction of economic disparities between regions and states will continue to be a major objective of regional development. Tables 9-8 and 9-9 show the GDP by state in real terms for the years 1985 and 1990. It is projected that by 1990, there will be a more balanced distribution of economic activities and a narrowing of income disparities between the low and high-income states such that the lowest income state will have a *per capita* GDP of not less than two-thirds of the national average as envisaged in the OPP.

430. Annual growth rates of GDP among the low-income states will range between 8.3% for Kedah and 12.4% for Kelantan. The *per capita* GDP of Kelantan is projected to grow at 9.9% per annum, raising it to about 69% of the national average by 1990. Economic growth in the state will continue to depend on increased productivity in existing agricultural areas and the exploitation of resources in the Kelantan Selatan area. The completion of the Kuala Krai-Gua Musang-Kuala Lipis-Bentong highway in the later half of the decade will improve accessibility and facilitate exploitation of the state's forest resources, thereby providing for the establishment of resource-based industries. The expected completion of the East-West highway in the early part of the Fourth Malaysia Plan (FMP) period will reduce the major locational disadvantages presently faced by the state, paving the way for further expansion and diversification of the state's economy.

431. The economy of Trengganu is projected to expand rapidly due to petroleum and gas production and increased industrial and agricultural output. Rapid industrialization will take place in the state during the decade with the establishment of resource-based and heavy industries. Increased agricultural output will accrue mainly from land development and logging activities. Growth in these sectors will be aided by the availability of improved transportation facilities arising from the completion of the Jerangau-Jabor highway and its connections to Dungun, Paka and Chukai.



TABLE 9-8

## MALAYSIA: GROSS DOMESTIC PRODUCT BY INDUSTRY OF ORIGIN AND STATE, 1985

(\$ million in 1970 prices)

	Johor	Kedah	Perlis	Kelantan	Melaka	Negeri Sembilan	Pahang	Perak	Pulau Pinang	Selangor	Federal Territory	Trengganu	Peninsular Malaysia	Sabah	Sarawak	Malaysia
Agriculture, forestry and fishing	1,042	753	—	390	166	352	690	716	125	636	—	336	5,206	962	552	6,720
Mining and quarrying	13	6	—	3	3	9	48	224	1	146	—	282	735	400	472	1,607
Manufacturing	1,195	229	—	131	161	352	725	941	1,267	3,563	—	126	8,690	97	253	9,040
Construction	160	48	—	59	35	52	106	157	123	646	—	45	1,431	181	212	1,824
Electricity, gas and water	106	45	—	35	38	64	63	126	74	284	—	31	866	39	48	953
Transport, storage and communications	285	112	—	104	50	103	149	201	233	905	—	35	2,177	170	145	2,492
Wholesale and retail trade, hotels and restaurants	429	206	—	147	169	146	178	517	574	1,725	—	77	4,168	336	337	4,841
Finance, insurance, real estate and business services	331	211	—	166	93	121	193	359	263	835	—	126	2,698	205	176	3,079
Government services	515	459	—	380	185	236	306	543	258	1,373	—	262	4,517	327	384	5,228
Other services	86	34	—	50	30	36	33	107	93	365	—	13	847	50	51	948
<b>TOTAL</b>	<b>4,162</b>	<b>2,103</b>	<b>—</b>	<b>1,465</b>	<b>930</b>	<b>1,471</b>	<b>2,491</b>	<b>3,891</b>	<b>3,011</b>	<b>10,478</b>	<b>—</b>	<b>1,333</b>	<b>31,335</b>	<b>2,767</b>	<b>2,630</b>	<b>36,732</b>
GDP at purchasers' value	4,286	1,906	260	1,507	958	1,515	2,565	4,007	3,101	5,934	4,855	1,373	32,267	2,849	2,708	37,824
Population ('000)	1,911.3	1,258.7	174.9	1,052.7	508.5	647.3	1,003.6	1,978.0	1,066.1	1,914.1	1,173.1	668.7	13,357.0	1,285.1	1,537.4	16,179
Per capita GDP (\$)	2,242.5	1,514.3	1,486.6	1,431.6	1,884.0	2,340.5	2,555.8	2,025.8	2,908.7	3,100.2	4,138.6	2,053.2	2,415.7	2,216.9	1,761.4	2,337
Ratio Malaysian-average	0.96	0.65	0.64	0.61	0.81	1.00	1.09	0.87	1.24	1.33	1.77	0.88	1.03	0.95	0.75	1

11. The sectoral values and TOTAL include those for Perlis.

12. The sectoral values and TOTAL include those for the Federal Territory.

13. Includes petroleum.



TABLE 9-9

**MALAYSIA: GROSS DOMESTIC PRODUCT BY INDUSTRY OF  
ORIGIN AND STATE, 1990**  
(\$ million in 1970 prices)

	Johor	Kedah	Perlis	Kelantan	Melaka	Negeri Sembilan	Pahang	Perak	Pulau Pinang	Selangor	Federal Territory	Trengganu	Peninsular Malaysia	Sabah	Sarawak	Malaysia
Agriculture, forestry and fishing	1,207	907	—	547	172	395	969	784	122	682	—	489	6,274	1,203	716	8,193
Mining and quarrying	12	6	—	4	3	10	63	133	1	115	—	380	727	517	619	1,363
Manufacturing	2,045	421	—	261	278	605	1,469	1,622	2,009	5,559	—	248	14,517	182	422	15,121
Construction	261	86	—	94	55	80	202	250	188	947	—	86	2,249	320	369	2,938
Electricity, gas and water	181	79	—	63	59	101	119	195	104	396	—	59	1,355	64	80	1,500
Transport, storage and communications	478	190	—	168	76	160	279	308	324	1,263	—	64	3,310	283	241	3,831
Wholesale and retail trade, hotels and restaurants	643	357	—	256	242	213	309	754	775	2,464	—	131	6,144	568	567	7,279
Finance, insurance, real estate and business services	517	309	—	268	134	177	329	522	384	1,150	—	222	4,012	332	285	4,629
Government services	770	769	—	678	282	363	475	796	318	1,920	—	478	6,849	553	642	8,011
Other services	131	53	—	100	46	55	51	164	139	527	—	22	1,288	85	86	1,459
<b>TOTAL</b>	<b>6,245</b>	<b>3,177</b>	<b>—</b>	<b>2,439</b>	<b>1,347</b>	<b>2,159</b>	<b>4,265</b>	<b>5,528</b>	<b>4,364</b>	<b>15,023</b>	<b>—</b>	<b>2,179</b>	<b>46,726</b>	<b>4,107</b>	<b>4,027</b>	<b>54,860</b>
GDP at purchasers' value	6,461	2,872	415	2,524	1,394	2,234	4,413	5,719	4,515	9,148	6,395	2,254	48,344	4,249	4,167	56,760
Population ('000)	2,113.3	1,327.9	191.2	1,170.1	526.1	689.1	1,201.9	2,049.6	1,132.9	2,303.4	1,352.8	761.7	14,820.0	1,513.4	1,809.6	18,143.0
Per capita GDP (\$)	3,057.3	2,162.8	2,170.5	2,157.1	2,649.7	3,241.9	3,671.7	2,790.3	3,985.3	3,971.5	4,727.2	2,959.2	3,262.1	2,807.6	2,302.7	3,128.5
Ratio to Malaysian average	0.98	0.69	0.69	0.85	0.85	1.04	1.17	0.89	1.27	1.27	1.51	0.95	1.04	0.90	0.74	1.00

<sup>14</sup> The sectoral values and TOTAL include those for Perlis.

<sup>15</sup> The sectoral values and TOTAL include those for Federal Territory.

<sup>16</sup> Includes petroleum.



432. Kedah's economy will grow as a result of improved productivity and income in the agricultural sector and increased activities in the manufacturing and services sectors. The completion of the Changkat Jering-Alor Setar-Jitra highway will provide a more effective link to the regional commercial centre at Pulau Pinang, assisting efforts to attract investment to the state. The overall increase in economic activities coupled with a relatively low population growth of 1.3% per annum will result in a *per capita* GDP growth of 7%, raising it to \$2,163 in 1990.

433. In Perlis, the implementation of *in situ* projects such as Muda II and Titi Tinggi will lead to increased agricultural productivity, while programmes to encourage industrial and commercial activities are expected to lead to the expansion of the manufacturing sector. The growth of these sectors, coupled with a relatively low population growth of 2% during the decade, will help Perlis maintain a *per capita* GDP growth rate of 7.1% per annum, resulting in a *per capita* GDP of \$2,171 in 1990.

434. During the period 1981-90, the middle-income states of Johor, Melaka, Negri Sembilan, Pahang, Perak, Pulau Pinang, Sabah and Sarawak will have GDP annual growth rates ranging between 6.8% for Perak and 13.7% for Pahang. Growth in Pahang will be attributable to the increased agricultural production arising from new land development programmes, timber extraction and expansion of the manufacturing sector. The functioning of Kuantan Port will stimulate commercial and service activities in the state, while improved transportation facilities made available through the completion of the Kuala Lumpur-Karak and the Kuantan-Segamat highways and improvements to the Kuantan-Dungun road will facilitate the exploitation of the state's resources. The state is projected to have a *per capita* GDP of \$3,672 in 1990.

435. Growth of Pulau Pinang's economy will stem mainly from the increased establishment of high-technology industries such as the manufacture of medical, electrical and telecommunication equipment as well as the expansion of service activities related to programmes aimed at strengthening the role of Pulau Pinang as the regional growth centre for northern Peninsular Malaysia. The rapid increase in the state's industrial activities will result in a 9.3% annual growth rate of the manufacturing sector and a 5.5% annual growth rate of the services sectors with the latter contributing 35.8% to the GDP of the state. The completion of the Penang Bridge will improve economic linkages with the mainland and have a favourable impact on the economy of the state. Pulau Pinang is projected to



have a low population growth rate of 16 % per annum during the decade, which will result in a *per capita* GDP of \$3,985 in 1990, 27 % above the national average.

436. In Johor, the agricultural and manufacturing sectors will continue to be the mainstay of the economy, accounting for 18.7% and 31.7%, respectively, of the state's GDP in 1990. The implementation of the Johor Barat Integrated Agricultural Development (IAD) project and the resource development programmes in the Johor Tenggara area is expected to contribute to the expansion of the agricultural sector. Substantial increases in manufacturing output is expected from the already established industrial estates at Tampoi and Larkin, as well as from the newly established industrial estate at Pasir Gudang. The port at Pasir Gudang, together with the related establishment of a wide range of ancilliary activities, will contribute to the expansion of Johor's tertiary sectors which will assume greater importance in the economy.

437. Efforts at expanding the industrial base of Melaka will focus on improving facilities in existing industrial estates and attracting a larger number of labour-intensive industries which are expected to help contain the outflow of labour from the state. The commercial operation of an oil refinery beginning in 1985 will contribute to the expansion of industrial output, enabling manufacturing to emerge as the fastest growing sector. Agriculture will remain as an important contributor to the state's GDP, aided by the implementation of an IAD project. By 1990, Melaka is projected to have a GDP growth rate of 7% resulting in a *per capita* GDP of \$2,650.

438. In Perak, the manufacturing sector will account for 28.4% of the GDP in 1990, making it the leading sector in place of agriculture. The government sector will emerge as the second largest contributor to the state's GDP. Although the share of mining in the state's GDP is expected to decline, Perak will continue to be the leading producer of tin in the country. *In situ* and new land development programmes will be undertaken to increase productivity in the agricultural sector. Perak's *per capita* GDP is projected to reach \$2,790 in 1990.

439. Negri Sembilan will undertake programmes to develop its available reserves of land to maximise agricultural production. The state's main impetus for growth, however, will be from the expansion of its industrial and services sectors which will benefit from the state's proximity to the major urban centres of Selangor and the Federal Territory. The GDP of the state is projected to grow at 7.4% per annum during the decade, leading to a *per capita* GDP of \$3,242 in 1990.



440. Sabah will intensify efforts to develop its vast natural resources through new land development programmes, timber, petroleum and copper production. The industrial base of the state will be expanded and diversified through the establishment of more resource-based, export-oriented industries mainly oil refining and the processing of cocoa beans to be located within the existing industrial estates. By 1990, Sabah will have a *per capita* GDP of \$2,808.

441. Sarawak's GDP growth is projected at 8.7% per annum during the decade. The state will continue to experience economic growth through the implementation of new land development programmes and the establishment of resource-based and heavy industries including petro-chemical and liquified natural gas. Together, these industries will contribute to rapid expansion of the manufacturing sector which will grow at 9.5% per annum during the decade.

442. Selangor and the Federal Territory will continue to experience high levels of GDP and *per capita* GDP throughout the decade. In Selangor, there will be an overall high level of economic activity, especially in the manufacturing and related tertiary sectors. The substantial output of the manufacturing sector will mainly accrue from industries located in the Kelang Valley, accounting for 37% of the total output of the country. This proportion, however, is lower than that of the last decade as a result of measures taken to disperse industrial growth throughout the country. The economy of the Federal Territory, with its high concentration of government and commercial services and facilities, will experience economic growth of 4.9% per annum, leading to a *per capita* GDP of \$4,727 in 1990.

#### **Urbanization**

443. During the decade 1981-90, the urban development strategy will focus on accelerating development of towns identified in the TMP to enable them to play the role of growth and service centres for their respective hinterlands. Priority will be accorded to the provision of adequate infrastructural and communication facilities and the dispersal of commercial and service activities to these urban areas. Programmes will be undertaken to link these towns with their rural hinterlands as well as with other regional growth centres in line with the objective of establishing corridors of urban development, especially in the less-developed east coast of Peninsular Malaysia and in Sabah and Sarawak.



444. Urban studies will be undertaken to prepare structure plans<sup>17</sup> for existing towns which have prospects for the creation of agglomeration economies. These structure plans will focus on key areas such as spatial zoning, orderly traffic arrangements, urban drainage, sewerage and waste disposal, environmental protection, and the provision of adequate housing and utilities. By 1990, the majority of the state capitals will have structure plans to guide their future spatial and economic expansion.

445. To complement the growth of major urban areas in each state as well as to avoid concentration of population and services within these areas, satellite towns and service centres will be developed. Within the Kelang Valley, the development of Shah Alam, Kelang, Kajang, Bangi, Rawang and Sepang will receive priority attention to disperse urban growth away from Kuala Lumpur. The population of Kuala Lumpur is, therefore, expected to grow at 3.1% per annum between 1981-90 compared with 4% in the previous decade.

446. In Peninsular Malaysia, Pulau Pinang in the north, Johor Bahru in the south and Kuantan in the east will be fully equipped to play their role as regional growth centres more effectively. At the same time, second-order towns such as Alor Setar and Kangar in the north, Seremban and Melaka in the centre, Batu Pahat, Segamat, Keluang and Muar in the south and Kuala Trengganu and Kota Bharu in the east will be developed to complement the growth of the regional centres in line with the objective of strengthening the linkages between various towns through a close-knit system of urban centres of different sizes and specializations.

447. In Sabah, programmes for the establishment of a strong urban network will involve the development of 20 new townships which will be linked to the regional centres of Kota Kinabalu, Sandakan, Lahad Datu and Tawau. Kota Kinabalu's role as the main regional centre will be further strengthened through improved port and airport facilities. While Kuching will remain as the administrative centre for Sarawak, Bintulu will be developed as the focal point for industrial growth in the state, especially for heavy industries, as well as the centre for the development of the resource-rich Fourth Division.

## **XI. NATIONAL SECURITY**

448. The maintenance of peace and security within the country is vital to the pursuit of economic and social development, which is the strongest foundation for nation building. During the last decade, substantial efforts

<sup>17</sup> Structure plans contain the development policies and strategies and diagrammatic illustrations on the proposed form of development including land usage for particular towns.



were directed at building up the nation's capacity and resilience for dealing with problems of national security arising from activities of the communist terrorists and subversives and anti-national elements. The influx of refugees into the country brought a new set of problems requiring a different approach for resolution.

449. The growth of big power rivalry demonstrated by recent events in other parts of the world and in Southeast Asia, made it necessary that adequate and firm measures be taken to protect the nation's sovereignty. This has become even more urgent in view of Malaysia's proximity to countries in the Southeast Asian region which themselves have at various times been subjected to overt acts of aggression and to periods of internal political instability. The nation's defence planning has, therefore, to take into account these and other factors while efforts at bilateral, regional and international levels will continue to be pursued to establish a zone of Peace, Freedom and Neutrality (ZOPFAN) in this region in accordance with the Kuala Lumpur Declaration.

450. A substantial programme for national defence will be carried out to increase the capability and effectiveness of the armed forces to meet any external contingency. The armed forces will undergo rapid expansion with additional manpower and new and sophisticated modern equipment. Facilities for further training and accommodation will be provided to ensure the overall readiness and effectiveness of the armed forces. Activities relating to the preservation of public order and internal security will also be expanded to enable the police to complement the role of the armed forces in national defence.

451. The problem of drug addiction and drug trafficking is of major concern to the Government. Drug taking is associated with moral decay and gradual loss of resourcefulness and, if unchecked, will pose a serious threat to the security of the nation. Drug addicts are not only a burden to society but they can be used by anti-national elements for subversive purposes.

452. In view of the adverse effects of drug addiction to the nation, the society and the individuals concerned, the Government will continue to undertake measures to control the availability and distribution of drugs. Since drug trafficking has world-wide connections, greater international co-operation with other Governments and agencies will be maintained. In addition, amendments to the Dangerous Drug Ordinance, 1952, have been made in 1977 to provide for mandatory capital punishment to those found



guilty of trafficking 100 grams or more of dangerous drugs. Apart from these, the Government will also continue to step up its surveillance of drug trafficking along the coastal waters and at custom points.

453. To increase further public awareness of the problem and dangers arising from indiscriminate use of drugs, especially among children, *Persatuan Mencegah Salahguna Dadah* (PEMADAM), a voluntary national association receiving active support from the Government, has established branches throughout the country and conducted seminars and exhibitions for the benefit of parents and the public as a whole. A Narcotics Secretariat coordinates the work of the various public and private sectors bodies and provides the necessary guidance and direction in the all-out effort to deal with drug problem in the country. These activities will be further intensified during the next decade.



# Organizing for Development

## I. INTRODUCTION

454. In order to ensure that the policies and programmes for the decade 1981-90 will be successfully carried out, it is imperative that planning and implementation capacities be enhanced and further initiatives taken to organise the machinery of the Government to deal with the challenges ahead. The need for effective organization of the development effort is even more critical in the light of the less favourable outlook of the world economic situation, the need to ensure the attainment of the targets of the New Economic Policy (NEP), the challenges posed by advances in science and technology and the need to fully harness the nation's manpower resources for full participation in the development process.

## II. BETTER PLANNING AND IMPLEMENTATION CAPACITY

455. Planning at the Federal level is undertaken by central agencies, namely, the Economic Planning Unit (EPU), the Socio-Economic Research Unit (SERU), the Implementation and Coordination Unit (ICU), the Public Services Department (PSD), and the Malaysian Administrative Modernization and Manpower Planning Unit (MAMPU) in the Prime Minister's Department, the Treasury and *Bank Negara Malaysia* as well as the planning cells of various ministries. The EPU serves as secretariat to the National Development Planning Committee (NDPC), which comprises heads of all major economic development ministries, and to the National Economic Council (NEC), a committee of senior cabinet ministers under the chairmanship of the Prime Minister, and coordinates the presentation of issues and policies for the consideration of the NDPC and NEC. At the state level, the State Economic Planning Units (SEPUs) and State Development Offices (SDOs) are responsible for formulating state development strategies and coordinating the preparation of state development projects and programmes. Efforts were undertaken over the years to strengthen the planning and implementation machinery, but the large expansion of public sector development programmes during the last decade continued to impose a heavy strain on planning and implementation capacity of the public sector.



456. To ensure full implementation of programmes and projects during the Fourth Malaysia Plan (FMP), the capacity of public sector agencies will be further improved through a more coordinated and effective system of planning and implementation. Towards this end, the planning capacity of public sector agencies will be continually improved during the next decade through training of personnel in the field of regional and project planning as well as management of public enterprises and organizations. While the National Census of Population and Housing, 1980, will provide current data for planning at the national level, an inventory of data compiled in 1979 will facilitate the collection and updating of a wide variety of data necessary for planning at the regional and state levels. Data from the National Agricultural Census, 1977, will be utilized to formulate programmes towards achieving the NEP objectives. Several surveys and studies aimed at providing better knowledge and understanding of the economy and improving the planning process will also be carried out during the next decade. In addition, a number of measures will be undertaken to improve implementation procedures and revamp the administrative system. Some regulatory changes will be introduced to improve efficiency and discipline in the civil service and certain administrative and financial procedures will be reviewed.

457. For the purpose of programme monitoring and evaluation, social indicators already developed to measure socio-economic development will also provide benchmarks for assessing the progress achieved at regional, state and local levels. The results of impact studies will facilitate evaluation of the effectiveness of present policies and programmes towards achieving the NEP objectives. Monitoring and evaluation capabilities of agencies directly responsible for implementation of development projects will also be strengthened to enable the agencies to make timely adjustments during the implementation phase.

458. The National Integrated Data Systems (NIDAS) project will be implemented to facilitate centralization and standardization in the compilation of data important for planning, monitoring and evaluation. A pilot project has been completed and preparation for extending the system throughout Malaysia is underway.

### III. PRODUCTIVITY AND TRAINING

459. Effective management and utilization of the nation's resources are necessary conditions for intensifying development during the next decade. With the increasing tempo of industrialization and rapid technological changes, the need for more efficient utilization of labour becomes crucial. In addition, higher productivity provides opportunities for increasing real incomes, thus raising the general standard of living.

460. The productivity of labour in terms of value added per worker increased at an average annual rate of 3.6% from \$3,624 in 1970 to \$5,141 in 1980. There were, however, wide differences between sectors in the level



of output per worker as well as the rates of growth in productivity over time. Manufacturing; mining and quarrying; and transport, storage and communications recorded rates of growth of productivity of 4.6%, 4.4% and 5.7% per annum, respectively. Productivity in government services and other services increased at 3.3% and 2.4% per annum, respectively, while agriculture and wholesale and retail trade experienced rates of growth of productivity of around 2.4% and 1.5% per annum, respectively. These variations were the result of several factors such as size and pace of capital formation in the various sectors of the economy, choice of technology and growth and level of skills in the labour force.

461. The attainment of the long-term output growth of 8% per annum during 1981-90 will require an increase in productivity per worker of about 4.7% per annum during the period. To achieve this, several measures are planned which will have immediate and long-term results on the performance of the economy. Investments in education and training will be maintained at a high level during 1981-90 to improve the quality of the labour force through more emphasis on vocational, technical and industrial training. Various incentives will also be given to increase the pace of capital formation and to encourage the adoption of new and appropriate technology, especially in the low-productivity sectors of the economy. The efforts of the Government will be supplemented by the private sector through on-the-job training and management development programmes to upgrade the skills and capabilities of the workforce.

462. While major responsibility in providing basic education and skills lies with the Government, the development of skills in employment is largely that of the respective employers. In the public sector, the National Institute of Public Administration (INTAN) will be strengthened to enable more training courses to be given at national and regional levels. The Malaysian Administrative Modernization and Manpower Planning Unit (MAMPU), besides coordinating manpower planning, is entrusted to provide consultancy services and introduce new management techniques and innovations to the public service, aimed at improving and modernising administrative systems and procedures so as to increase effectiveness and efficiency. At the management and supervisory levels, the National Productivity Centre (NPC) will continue to play an important role in the field of management development and supervisory training.

463. Efforts to raise productivity should be fully reflected at the level of the enterprise. Since investments in human resources development increase productivity, employers in the private sector have a major responsibility in upgrading skills as well as expanding their training facilities. The Malaysian Institute of Management (MIM) will continue to provide courses in various aspects of management in line with changing technology. In short, human resources development will need to be given high priority by employers in the public and private sectors to equip the economy for the management challenges during 1981-90.



#### IV. ORGANIZING FOR EXPORTS

464. The growth target for exports in the Outline Perspective Plan (OPP) was set at 8.3% per annum but the rate achieved during the last decade was 7.6% per annum, implying that exports need to grow at least by 9.1% per annum during the next decade to achieve the OPP target. This requires more progressive export promotion efforts and close monitoring of the factors contributing to export performance and competitiveness of Malaysia's export products.

465. During the last decade, efforts at export promotion were undertaken through bilateral and multilateral negotiations aimed primarily at lessening or eliminating tariff and non-tariff restrictions, and measures to widen existing markets for Malaysian exports and diversify into new areas. These measures included the setting up of trade offices overseas, organizing of trade missions and participation in international trade fairs. In addition, financial facilities and fiscal incentives were provided to Malaysian exporters.

466. Malaysia's trade offices which have been established in major trade centres overseas will form the backbone to the intensive efforts that will be undertaken for the promotion of Malaysia's exports in the years ahead. Together with Malaysian Industrial Development Authority (MIDA), they will provide information on trade and investment opportunities which will further strengthen the overall promotional efforts. In view of the increasing importance of regional markets in the developing countries, new trade offices will be established in West and East Asia, Eastern Europe, South America and North and Western Africa.

467. As part of its promotional measures, the Government will continue to participate in trade fairs overseas. Such fairs will not only enable Malaysian exporters to exhibit their products, acquire sales orders and appoint agents but also obtain know-how of more modern production techniques and design which will further improve the export potential of Malaysia's manufactures.

468. The Malaysian Export Centre in Kuala Lumpur was established primarily to disseminate information on export markets for Malaysian products and channel enquiries from overseas importers to Malaysian exporters. The activities of the Centre will be expanded to include the organization of seminars relating to export promotion and incentives, and trade fairs both in Kuala Lumpur and overseas. The Centre will also publish a directory of Malaysian exporters which will include information on types of products, production and export capacity as well as their export destinations.

469. In addition to these promotional efforts, the Government also provides financial facilities to encourage the development of export-oriented industries. The Malaysian Export Credit Insurance Berhad (MECIB), a joint-venture between the Government and the private sector, was incorporated in 1977 aimed at protecting both the manufacturers and exporters against any possible loss arising from commercial, economic and political risks. The activities of MECIB will be extended to provide direct



guarantee facilities to enable banks to insure their export credit to exporters. Facilities for specific guarantees for individual contracts for capital goods will also be provided. Regional offices of MECIB will be established in Kuantan, Kota Kinabalu and Kuching. Under both the pre-shipment and post-shipment refinancing facilities introduced in 1979 and 1977, respectively, *Bank Negara Malaysia*, through the intermediary of the commercial banks, provides facilities to refinance exports of specified manufactured goods at preferential rate of interests.

470. To further promote the growth of export-oriented industries, fiscal incentives are provided such as tax deductions in the form of export allowance based on the value of export sales, accelerated depreciation allowance and deduction for promotional expenses incurred overseas such as advertising, market research, overseas travel and cost of maintaining offices abroad.

471. The Government is also examining the feasibility of establishing large trading corporations to supplement the public sector efforts in increasing exports, particularly in obtaining new market outlets. These corporations, if established, will operate like any other private sector organization including entering into joint-ventures with transnational corporations in order to benefit from the latter's intensive marketing outlets and managerial expertise.

#### V. APPLICATION OF SCIENCE AND TECHNOLOGY

472. The importance of science and technology in the economic and social development of the country is enshrined in the *Rukunegara*. During the last decade, emphasis was given to the development and transfer of appropriate technology covering major areas of activity such as agriculture, industry, energy, medical and health, and infrastructure.

473. The efforts of many years of research in science and technology have contributed to making Malaysia a leading producer of rubber, palm oil and pepper and to significant progress in *padi* production through the use of improved varieties. Continuing research on a wide area of subjects is being carried out by Malaysian Agricultural Research and Development Institute (MARDI), Rubber Research Institute Malaysia (RRIM), Palm Oil Research Institute of Malaysia (PORIM), Forest Research Institute (FRI), Mines Research Institute, Institute of Medical Research (IMR) and institutions of higher learning. The private sector has also undertaken a considerable degree of research activities and in addition, is able to call on the research programmes of their parent companies abroad.

474. Industrial research is of critical importance to the technological advancement in the manufacturing sector. To meet this need, Standards and Industrial Research Institute of Malaysia (SIRIM) was established to undertake research in the transfer of appropriate technology and to ensure acceptable standards. In the field of nuclear research, *Pusat Tenaga Atom Tun Dr. Ismail* (PUSPATI) was established at Bangi in 1979 to undertake training and research in the application of nuclear technology for agriculture, industry and medicine. It is expected to be operational in 1982.



475. The Ministry of Science, Technology and Environment is responsible for the coordination and promotion of science and technology and is assisted in this task by a National Council for Scientific Research and Development and the Coordinating Council for the Transfer of Technology. The main function of the former is primarily to advise the Government on scientific and technological matters. The Council has additional responsibilities to ensure that the manpower potential for research and development activities of the country are fully utilized and developed and to provide a liaison with other countries on scientific and research matters.

476. In order to gain from researches undertaken by the developed countries, Malaysia maintains close liaison with various international scientific organizations and undertakes international cooperation in the fields of science and technology through such agencies as the International Council of Scientific Unions (ICSU), Commonwealth Science Council (CSC), International Atomic Energy Association (IAEA) and the Pacific Science Association (PSA). As a member of the ASEAN Committee on Science and Technology, Malaysia also benefits from the researches undertaken by other member countries.

## VI. PARTICIPATION BY THE PEOPLE

477. In the nation's development effort, the people must respond positively to the challenges and be prepared to play their part. This they can do through their participation in the cooperative movement, sports and recreation, consumer movement, community and welfare organizations and maintenance of security. The cooperative movement provides an important vehicle for the promotion of economic activities, mobilization of capital and the acquisition of property. The participation of target groups such as small farmers and fishermen into farmers' and fishermen's cooperatives will be intensified during the FMP through the provision of infrastructure, working capital and management training. Small and inefficient cooperatives will be amalgamated into larger and more viable cooperatives. The youth, women and parent-teachers organizations will also be mobilized to enable them to participate more fully in the development efforts of the nation. The setting up of the National Advisory Council on Integration of Women in Development (NACIWID) in 1976, as the national machinery for channelling issues pertaining to women, reflected the Government's commitment to integrate women in all aspects of national development. The consumer movement will be further encouraged to act as a watchdog on price trends and quality standards. *Ikatan Relawan Rakyat* (RELA) and *Rukun Tetangga* will be further consolidated to involve citizens in good neighbourliness and area security surveillance. The participation of the general public in sports and recreational activities will be strengthened through the establishment of sports complexes as well as through assistance to be provided to sports and related organizations. At the grassroot level, the *Jawatankuasa Kemajuan dan Keselamatan Kampung* will continue to assist the Government in local development, and security surveillance at the *kampung* level.