

THIRD MALAYSIA PLAN, 1976-1980

CHAPTER IV

Outline Perspective Plan, 1971-90

I. INTRODUCTION

186. The Outline Perspective Plan presents the broad socio-economic framework within which the objectives of the New Economic Policy (NEP) are being pursued. It sets out in quantitative terms the major targets of the NEP, demonstrates their feasibility and examines their implications for policy.

187. As indicated in the Outline Perspective Plan presented with the Mid-Term Review of the Second Malaysia Plan (SMP), the overall goals of the NEP comprise the following objectives:

- (i) employment creation at a rate sufficient to reduce current levels of unemployment and eventually bring about full employment of the labour force;
- (ii) expansion of the incomes and productivity of all those engaged in low productivity rural and urban occupations by increasing their access to opportunities to acquire skills, land, capital and other necessary inputs and by eliminating underemployment;
- (iii) enlargement of opportunities for those engaged in low productivity occupations to move to more productive endeavours in agriculture, forestry, fisheries, mining, construction, transportation, manufacturing, commerce and services industries;
- (iv) reduction of existing inequalities in the distribution of income between income and racial groups;
- (v) modernization of rural life and improvement of living conditions among the urban poor through the provision of a wide range of social services including public housing, electricity, water supply, sanitation, transportation, health and medical services and recreational and community facilities;
- (vi) creation of a commercial and industrial community among the Malays and other indigenous people in order that, within one generation, they will own and manage at least 30% of the total commercial and industrial activities of the country in all categories and scales of operation;

- (vii) restructuring of sectoral and occupational employment patterns in the various sectors of the economy so that they reflect the racial composition of the country by 1990; and
- (viii) expansion of education and training facilities, other social services and the physical infrastructure of the country to effectively support the attainment of the above objectives.

188. These objectives, in turn, are to be attained through rapid economic growth. Such growth is necessary if opportunities are to be created on a sufficient scale to enable the poor to benefit from increases in the quantity and quality of employment. This is also necessary if the Malays and other indigenous people are to participate increasingly in commercial and industrial activity without other groups in Malaysian society experiencing any loss or feeling any sense of deprivation. In this connection too, rapid economic growth is a prerequisite if the resources of the Government are to be enlarged to finance remedial public sector programmes. But while sustained prosperity and growth are clearly necessary conditions for the progressive amelioration of the nation's socio-economic problems, they are not sufficient conditions—a recognition which is at the heart of the NEP.

189. The progress achieved under the SMP and the broad targets under the Third Malaysia Plan (TMP), the first two phases in the implementation of the 20-year targets of the NEP, were covered in Chapters II and III in this Plan document. Taking into account the developments discussed therein, the Outline Perspective Plan (OPP) presented in this Chapter is a revision of the long-term plan contained in the document on the Mid-Term Review of the SMP. It also takes into account the results of recent work on the characteristics and dimensions of the country's socio-economic problems. It thus incorporates the results of continuing work on the part of the Government to define more precisely the nature of the policies and the magnitude of the programmes for the achievement of the overall objectives of the NEP by 1990.

190. Sections II and III below analyse the long-term prospects for growth and structural change in the Malaysian economy. The opportunities opened up by such growth for employment expansion, the eradication of poverty and the restructuring of society are illustrated in the subsequent sections of this Chapter.

II. PROSPECTS FOR ECONOMIC EXPANSION

191. The prospects for accelerated growth of the Malaysian economy are bright. They have their origin in the country's large endowment of natural resources relative to the size of its population. Out of a total area of 34 million acres of land capable of being brought under agriculture, some 17 million acres remain to be so developed—6.2 million acres in Peninsular

Malaysia and 10.8 million acres in Sabah and Sarawak. The scope is therefore substantial for expanding agricultural production and raw material-based industrial development.

192. Of the agricultural raw materials that Malaysia produces, rubber and timber offer the greatest opportunities for agro-based industrialization. While an increasing share of rubber production is being processed into high quality Standard Malaysian Rubber, the manufacture of a widening range of rubber products is already underway. In the case of timber, high quality timber will be available in significant quantities for the progressive expansion of viable wood product industries to meet domestic requirements as well as export demand. Stepped-up end-use research in respect of palm oil should also enlarge the potential for further raw material-based industrialization.

193. Most significant of all, recent discoveries of oil and natural gas in Sabah and Sarawak as well as in Peninsular Malaysia will lead to the development of large-scale industries manufacturing petro-chemicals and petro-chemical products. In turn, these industries will have considerable spin-off effects on the rest of the economy. As the agricultural and mineral resources of the economy are developed for domestic use and export, and as incomes expand in consequence, increased domestic demand will make feasible the production of a widening range of goods and services. This demand will be particularly strong for the production of intermediate goods and capital equipment, a large proportion of which is now imported.

194. Overall, the potential for growth of Malaysia's Gross Domestic Product (GDP) is over 8% per annum in constant 1970 prices. This is much higher than that achieved in the sixties during which the necessary conditions for sustained growth were being established. It compares favourably, however, with performance under the SMP when the trend rate of growth was an estimated 8.2% per annum, after taking into account the impact of international recession on the actual rate of growth in 1975.

195. The target growth rate of GDP at factor cost in real terms for the period 1971-90 is 8.0% per annum. Given that the actual rate of growth during 1971-75 was 7.4% per annum and that the target for 1976-80 is 8.5%, the OPP implies an average annual growth of 8.1% for the period 1981-90. As shown in Table 4-1, this 20-year target is higher than the average annual rate of 7.1% targetted in the OPP presented with the Mid-Term Review. This difference arises, in the main, from more recent analyses which indicate that, compared with previous estimates, agricultural and industrial expansion have a larger influence on the supportive and services sectors of the economy. The new projections also have not embodied the potential output from the oil and natural gas sector in the eighties pending the completion of the Masterplan study which will, *inter alia*, determine oil and gas reserves.

TABLE 4-1
MALAYSIA: GROSS DOMESTIC PRODUCT BY INDUSTRY OF
ORIGIN, 1970-90
(In 1970 prices)

Sector	Average annual growth rate (%) 1971-90	
	As targetted in Mid-Term Review of SMP	As targetted in TMP
Agriculture, forestry, fishing, etc.	5.4	5.4
Mining and quarrying	7.8	3.8
Manufacturing	12.3	12.2
Construction	6.5	8.3
Electricity, water and sanitary services	10.3	9.9
Transport, storage and communications	4.9	9.4
Wholesale and retail trade	4.9	8.3
Ownership of dwellings, banking, insurance and real estate	6.0	7.6
Public administration and defence	3.6	8.6
Other services	4.1	8.2
Gross domestic product at factor cost	7.1	8.0

196. A major requirement for the targetted expansion of the economy will be strong investment growth, both private and public. The rate of growth of total investment was 11% per annum (excluding stock changes) during 1971-75. This exceptional growth was primarily the result of strong increases in public investment during 1972 and 1975 to counteract the downswings in economic activity during those years. Barring the need for counter-cyclical action of this magnitude during the projection period, total investment is postulated to increase by about 8.5% per annum over the next fifteen years and to increase its share in GDP from 20.1% in 1970 to 24.5% by 1990 as shown in Table 4-2. A higher rate of investment growth may, however, turn out to be necessary in view of the increasing capital intensiveness of the industrial sector.

197. Notwithstanding the need to set aside a sizeable portion of the resources to be generated for investment purposes, there will be enough scope for private as well as public consumption to grow strongly. Living standards will therefore improve as *per capita* private consumption increases by 4.3% per annum while public consumption will expand by 9.2% per annum as the Government seeks to ensure that its public services reach the poor.

198. Significant changes in the composition of personal consumption will accompany the growth of *per capita* consumption, as illustrated for Peninsular Malaysia in Table 4-3 below. As private disposable incomes increase, there will be a strong shift in the structure of consumption from expenditures on food and other basic necessities towards expenditures for better housing, consumer durables, transportation, education and health and other personal services.

TABLE 4-2
MALAYSIA: GROSS NATIONAL PRODUCT BY EXPENDITURE
CATEGORY, 1970-90
(\$ million in 1970 prices)

	Share of GDP (%)			Share of GDP (%)			Share of GDP (%)			Average annual growth rate (%)		
	1970	1975	1980	1980	1990	1990	1971-75	1976-80	1981-90	1976-90	1971-90	
Consumption	9,483	12,106	17,651	79.0	76.5	36,461	72.8	7.8	7.5	7.6	7.0	
Private	7,486	9,036	12,331	59.0	53.4	24,976	49.9	6.4	7.3	7.0	6.2	
Public	1,997	3,070	5,320	20.0	23.1	11,485	22.9	11.6	8.0	9.2	9.1	
+ Investment	2,152	3,622	5,423	23.7	23.5	12,261	24.5	8.4	8.5	8.5	9.1	
Private	1,459	2,062	3,315	13.5	14.4	7,495	15.0	9.9	8.5	9.0	8.5	
Public	693	1,560	2,108	10.2	9.1	4,766	9.5	6.2	8.5	7.7	10.1	
+ Change in stocks	315	-442	-300	2.9	1.3	800	1.6	—	—	—	—	
+ Exports of goods and non-factor services ..	5,367	7,151	10,704	46.7	46.4	21,184	42.3	8.4	7.1	7.5	7.1	
- Imports of goods and non-factor services ..	4,807	4,899	7,245	32.0	31.4	13,128	26.2	8.1	6.1	6.8	5.2	
= Gross domestic product at market prices ..	12,510	17,538	26,233			57,578		7.0	8.4	8.2	7.9	
- Indirect taxes less subsidies	1,802	2,223	3,160			7,481		4.3	9.0	5.4	7.4	
= Gross domestic product at factor cost ..	10,708	15,315	23,073			50,097		7.4	8.5	8.1	8.0	
- Net factor payments abroad	355	392	857			2,509		—	—	—	—	
Gross national product at market prices ¹	12,155	17,146	25,376			55,069		7.1	8.2	8.1	7.8	

¹ Gross national product at market prices = Gross domestic product at market prices less net factor payments abroad.

TABLE 4-3

PENINSULAR MALAYSIA: COMPOSITION OF PERSONAL
CONSUMPTION², 1970-90

(In 1970 prices)

	Percentage share			
	1970	1975	1980	1990
Agriculture products	8.1	7.6	6.8	5.6
Forest products	0.5	0.5	0.5	0.5
Fishing	3.1	2.9	2.7	2.3
Food ³	27.8	26.2	24.1	20.7
Textiles and clothing ⁴	4.8	4.9	5.0	5.1
Paper and wood products ⁵	1.1	1.2	1.3	1.4
Chemical and rubber products	6.6	6.9	7.4	8.1
Basic metal and non-metallic products	0.9	1.0	1.0	1.2
Machinery and equipment ⁶	4.9	5.4	6.1	7.2
Other manufacturing products	1.5	1.6	1.8	2.1
Transport and utilities	7.3	7.6	8.0	8.7
Trade	15.2	15.6	16.0	16.7
Public services ⁷	1.8	1.9	2.0	2.0
Private services ⁸	16.4	16.7	17.3	18.4
TOTAL	100.0	100.0	100.0	100.0

² The above calculations are based on income consumption elasticities estimated from the Household Expenditure Survey of 1973 prepared by the Department of Statistics.

³ Includes beverages and tobacco.

⁴ Includes leather and footwear.

⁵ Includes furniture.

⁶ Includes electrical accessories.

⁷ Includes education, health and other public services.

⁸ Includes housing, business services and personal services.

199. A second major requirement for the targetted expansion of the economy will be strong export growth. This will be necessary not only to complement domestic demand in the optimal use of the nation's resources for income and employment creation but also to mobilize a sufficient volume of foreign exchange to cover the growing import requirements of the economy, particularly for investment goods. On the basis of the projected growth of export goods and the potential world demand for such products, exports are targetted to grow by 7.5% per annum during 1976-90 compared with 5.9% during 1971-75.

200. An important category of exports will be manufactured goods. The expansion of the industrial base in response to growing domestic demand for manufactured goods will progressively strengthen the prospects for manufactured exports. On the basis of public policy being geared to stimulate continuing improvements in productivity, efficiency and export competitiveness, the export of manufactured goods could grow by 12.7% during 1976-90 and account for 38.1% of the value in constant 1970 prices of total exports of goods and non-factor services in 1990 compared with 11.0% in 1970 and 19.6% in 1975.

201. With industrialization, the import of intermediate materials and capital goods as well as consumer durables will grow rapidly. The total import bill, however, is not expected to grow as fast as exports given continued progress in import substitution of food and manufactured consumer goods and the emergence of capital-goods-producing industries in the country itself. On the whole, export earnings, supplemented by modest inflows of public and private capital from abroad, should be sufficient to cover projected import requirements. They should also enable other normal outflows of capital to be financed while maintaining, at the same time, the basic soundness of Malaysia's balance of payments position.

III. GROWTH AND STRUCTURAL CHANGE

202. Substantial changes will take place in the structure of the economy as Malaysia utilizes its natural resources for both primary and secondary production and as the resulting increases in *per capita* income bring about changes in the composition of consumption demand. Table 4-4 illustrates the long-term projections for GDP by industry of origin⁹.

203. The *agricultural* sector (including fisheries), currently the largest sector in the economy, will undergo significant expansion and modernization. Out of a total of 17 million acres suitable for agricultural development, it is expected that some 3.2 million acres will be brought under cultivation between 1976-90 compared with 1.1 million acres during 1971-75. Average yields too will rise as farm practices improve; agricultural holdings under tree crops, in particular, rubber and coconuts, are replanted with higher yielding material; and drainage and irrigation facilities are extended to enable multiple cropping.

204. Value added by agriculture, forestry and fishing is projected to expand by 5.4% per annum over the 20-year period. The pace of growth will, however, be somewhat slower in the eighties at 4.9% per annum compared with 5.9% during 1971-75 and as estimated at 6.0% during the next five years. This will be primarily due to slower growth of rubber and oil palm output. In the case of rubber, almost the total acreage under the crop would have been planted and replanted with high yielding varieties by the end of the seventies with the full impact on production being realized by the early eighties. Thereafter, output growth would be mainly the result of new plantings. In the case of oil palm, a reduction in the scale of new acreage development is postulated as Malaysia's share in the world output of palm oil would reach as much as 60% even by 1980.

205. Although tree crops will continue to dominate the agricultural sector, there will be marked progress in the diversification of production. Horticultural and other annual crops as well as livestock production are

⁹ The projections of growth and structural change for Peninsular Malaysia were derived from a comparative static input-output model for Peninsular Malaysia using the 1970 Input-Output Table recently completed by the Department of Statistics. The forecasts for Sabah and Sarawak are based on conventional macro-economic projection techniques.

TABLE 4-4

**MALAYSIA: GROSS DOMESTIC PRODUCT BY INDUSTRY
OF ORIGIN, 1970-90**
(\$ million in 1970 prices)

Sector	Share of GDP (%)					Average annual growth rate (%)					
	1970	1975	1980	1980	1990	1971-75	1976-80	1981-90	1976-90	1971-90	
Agriculture, forestry, fishing, etc.	3,432	4,563	6,106	29.8	26.5	9,858	19.7	6.0	4.9	5.3	5.4
Mining and quarrying	613	612	806	4.0	3.5	1,280	2.6	5.7	4.7	5.0	3.8
Manufacturing	1,307	2,197	3,872	14.4	16.8	13,144	26.2	12.0	13.0	12.7	12.2
Construction	481	711	1,087	4.5	4.7	2,346	4.7	8.9	8.0	8.3	8.3
Electricity, water and sanitary services	245	401	622	2.6	2.7	1,613	3.2	9.2	10.0	9.7	9.9
Transport, storage and communications	606	1,098	1,636	7.2	7.1	3,631	7.3	8.3	8.3	8.3	9.4
Wholesale and retail trade	1,423	2,086	3,122	13.6	13.5	6,994	14.0	8.4	8.4	8.4	8.3
Ownership of dwellings, banking, insurance and real estate	836	1,109	1,658	7.2	7.2	3,646	7.3	8.4	8.2	8.3	7.6
Public administration and defence	794	1,199	1,896	7.8	8.2	4,131	8.3	9.6	8.1	8.6	8.6
Other services	874	1,237	1,947	8.1	8.4	4,203	8.4	7.2	8.0	8.5	8.2
Statistical discrepancy	+97	+102	+321			-749					
Gross domestic product at factor cost	10,708	15,315	23,073			50,097		8.5	8.1	8.2	8.0

planned to grow rapidly. The prospects for profitable cattle raising will be sizeable particularly in Sabah. Altogether, such diversification offers the opportunity for meeting domestically the changes in the composition of food demand that will arise from increasing incomes; expanding export earnings; and most important of all, enlarging smallholder incomes and improving nutritional standards. Specific opportunities include fruit and vegetable, tobacco, soya-bean, sugarcane, aquaculture, beef and dairy production particularly in Sabah, and pasture and feed production (including maize and sorghum).

206. The *manufacturing* sector will continue to be the fastest growing sector in the economy. With value added growing by about 12.7% per annum during 1976-90 (compared with 10.9% during 1971-75), the manufacturing sector will contribute 31.5% to the total increase of GDP during the period and become, by 1990, the largest sector in the economy. A number of factors underpin the potential for substantial growth in the sector. First, as indicated in paragraphs 191-193 above, the relatively sizeable natural and human resources of the country provide wide scope for industrial development based on the labour and raw material resources of the economy. Second, the growth of private disposable income will create strong demands for a widening range of manufactured consumer goods. Thus, as illustrated for Peninsular Malaysia in Table 4-5 below, value added by the food manufacturing, textiles, paper and wood products, chemical and rubber products and basic metal and non-metallic product industries is projected to grow in excess of 9% per annum in each case for the period 1976-90. Third, the progressive enlargement of the industrial base will permit the manufacture, on a viable basis, of a range of intermediate and capital goods. The strong growth of capital goods industries in the recent past combined with the increasing growth in domestic demand for their products in the future suggest that these industries could grow as strongly as 15% per annum.

207. The labour intensive textiles and electronics industries accounted significantly for the momentum of growth of the manufacturing sector during the period of the SMP. Continued strong growth is envisaged as the electronics industry broadens to produce more complex sub-assemblies and finished products and as the textiles industry prepares itself to compete with established suppliers in the world market.

208. A new set of industries is also emerging to provide additional thrust to the industrial sector. Apart from the increased processing and fabrication of rubber and timber products, the substantial resources of oil and natural gas in the country will give rise to a number of large-scale industries for the production of petro-chemicals and petro-chemical products including fertilizers. The scope and feasibility of these industries are being investigated in the Masterplan study for the development of the petroleum industry which is now underway. In addition, the metal working industries will grow rapidly in importance as industrialization advances. The principal constraint will be the availability of the requisite skilled

TABLE 4-5

PENINSULAR MALAYSIA: GROWTH OF MANUFACTURING INDUSTRY¹⁰, 1970-90

(% per annum)

	1971-75	1976-80	1981-90	1976-90	1971-90
<i>Consumer products</i>	11.8	12.9	9.9	10.9	11.1
Food	11.5	12.5	8.8	10.0	10.4
Textiles and clothing	14.5	12.3	15.0	15.4	15.2
<i>Intermediate products</i>	9.0	10.8	10.6	10.7	10.3
Wood and paper products	9.2	10.2	8.5	9.1	9.1
Chemical and rubber products	9.1	10.9	10.6	10.7	10.3
Basic metals and non-metallic products	8.9	11.2	11.9	11.7	11.0
<i>Investment products</i>	15.2	14.7	14.7	14.7	14.8
Machinery and equipment	14.2	15.0	15.0	15.0	14.8
Other manufacturing products	19.3	13.9	13.3	13.5	14.9
TOTAL ..	11.0	12.3	10.9	11.4	11.3

¹⁰ Excludes the potential growth of the petro-chemical and petro-chemical products industries now under study as part of the preparation of the oil and natural gas Masterplan study.

manpower at all levels of the occupational hierarchy. Present capabilities in casting, forging and machining are fairly limited. The fuller exploitation of the potential for economic manufacture of capital goods will thus clearly require a stepped-up effort in education and vocational training in the field of industrial engineering.

209. The targetted expansion of industrial output as illustrated for Peninsular Malaysia in Table 4-6 will bring about striking changes in the structure of modern manufacturing. While the production of consumer goods will continue to expand as private disposable incomes increase and further opportunities for import substitution are captured, the manufacture of investment goods and some intermediate products will become far more important than they were in 1970. In the process, the industrial base will be gradually broadened. Even more important, the vertical integration that will be effected will make growth in the different parts of the industrial sector mutually reinforcing. Notwithstanding the potential gains from the production of capital goods, it is to be emphasized, however, that only such industries with the potential for efficient and productive growth will be supported. This is necessary to minimize the impact of the costs of protection and promotion on the domestic price level and the need to ensure export competitiveness.

210. The growth of the primary and secondary sectors will induce corresponding growth on the part of the supportive sectors of the economy (comprising construction, utilities, transport and communications, trade and banking). In fact, the supportive and services sectors will grow even faster than overall GDP as a result of rural modernization and urban

TABLE 4-6

PENINSULAR MALAYSIA: COMPOSITION OF
MANUFACTURING INDUSTRY, 1970-90

(% share)

	1970	1975	1980	1990
<i>Consumer products</i>	35.6	39.8	42.6	38.6
Processed food	3.8	3.1	2.8	2.7
Oils and fats	6.6	12.6	15.4	9.7
Other food	16.9	14.6	13.6	12.8
Beverages and tobacco	5.3	5.3	5.1	4.6
Textiles and clothing	2.5	3.8	5.3	8.4
Leather and footwear	0.5	0.4	0.4	0.4
<i>Intermediate products</i>	56.5	49.3	43.9	40.9
Sawmills and furniture	5.4	5.7	5.4	4.3
Paper and printing	2.3	2.4	2.6	3.0
Industrial chemical and fertilizer	1.5	1.6	1.9	2.8
Chemical products	2.8	4.0	4.3	5.0
Petroleum refining and products ¹¹	2.6	2.0	2.0	2.1
Rubber processing	20.1	15.2	11.7	6.7
Rubber products	1.8	1.8	1.8	1.7
Cement	1.1	1.2	1.1	1.0
Non-metallic products	1.2	1.2	1.2	1.3
Ferrous products	4.0	4.3	4.7	6.7
Non-ferrous products	13.7	9.9	7.2	6.3
<i>Investment products</i>	7.9	10.9	13.5	20.5
Industrial machinery	1.5	1.9	2.2	4.0
Electrical machinery	1.3	2.4	3.7	5.3
Transport equipment	4.0	4.7	5.4	8.2
Other manufacturing products	1.1	1.9	2.2	3.0
TOTAL ..	100.0	100.0	100.0	100.0

¹¹ Excludes the potential contribution of the petro-chemical and petro-chemical products industries.

development. The contributions from rapid improvement of education and health services will be significant. Their contributions to development will exceed their share in the GDP in as far as they enhance the quality of life and the productivity of labour, particularly of the poor in the country. In addition, it is envisaged that with these developments and particularly with the increasing output in the number of post-graduates and growing experience in management, professional and consultancy fields, the nation would be poised to take advantage of the contributions to GDP of high level human resource services.

211. Viewing prospective developments as a whole, Table 4-4 indicates the changes in the composition of GDP in Malaysia that can be expected over the period of the OPP. The most impressive change will occur in the share of manufacturing which is expected to rise from 12.2% in 1970 and 14.4% in 1975 to 26.2% in 1990. By about the mid-eighties, the manufacturing sector will thus become the most important single sector in the

economy. While the share of agriculture in total GDP will fall steadily reflecting the strong performance of other sectors including the services sector, agriculture will nevertheless remain important in the economy as productivity advances with modernization and diversification. The contribution of the mining sector to GDP is also projected to fall in relative terms but higher rates of extraction with respect to oil and natural gas and exploitation of off-shore tin deposits would result in substantial upward revision of the estimates embodied in the current projections.

212. The impact of agricultural modernization and industrial development in building a more integrated economic structure within the country will be significant. Table 4-7 below indicates the changes which can be expected in Peninsular Malaysia in the demand for intermediate and final use of total supplies (or domestic production plus imports).

213. In the case of all 13 sectors into which the economy has been divided, the share of domestically produced goods and services for intermediate use by other industries will increase reflecting the growing interdependence of industries in the economy. The role being played by agriculture, forestry, fishing and mining in the supply of raw materials for further processing and fabrication within the domestic economy is already evident. This trend will gather momentum in the OPP period. In addition, the textiles, wood and paper products, chemical and rubber products and non-metallic and basic metal industries are also expected to contribute substantially towards meeting the needs of other industries for intermediate goods in the production process.

214. The share of imports in total supplies is envisaged to fall in almost all industries. On the basis of recent trends, import substitution should enable imports as a ratio of total supplies to decline markedly in a number of important industries: food products, textiles and machinery and equipment. Overall, the share of imports in total supplies is estimated to fall from 16.6% in 1970 and 13.8% in 1975 to 12.1% by 1990. Thus, opportunities for import substitution can continue to be actively pursued, especially in respect of consumer goods. In addition, significant opportunities could be captured for production of a number of intermediate materials and capital goods which are currently imported.

215. The impact which projected changes in the composition of aggregate demand and import substitution will have on the growth of individual sectors in the economy is illustrated in Table 4-8. Overall, the principal forces for growth will be increases in private consumption and export expansion. However, some decline in the relative contribution of exports is envisaged in the eighties as the full potential for agricultural export growth is reached although this could well be offset by the exports of petroleum-based products. The contribution of import substitution to overall economic growth will not be as large as in the recent past in view of the substantial advances which have already been made especially with regard to consumer goods. It could, however, become an important factor again in the eighties

TABLE 4-7

**PENINSULAR MALAYSIA: SHARE OF TOTAL SUPPLY GOING TO
FINAL AND INTERMEDIATE DEMANDS, 1970-90.
(%)**

Sector	Intermediate demand										Final demand										Total supply																													
	1970-1975					1980-1990					Exports					Domestic					Total					Exports																								
	1970	1975	1980	1985	1990	1970	1975	1980	1985	1990	1970	1975	1980	1985	1990	1970	1975	1980	1985	1990	1970	1975	1980	1985	1990	1970	1975	1980	1985	1990	1970	1975	1980	1985	1990															
Agriculture ¹²	58.5	62.8	66.3	65.3	65.3	35.2	30.4	28.6	28.8	6.3	6.8	5.1	5.9	41.5	37.2	33.7	34.7	34.7	92.0	96.1	96.6	96.7	8.0	3.9	3.4	3.3	86.7	98.9	98.5	96.4	1.2	2.0	-1.0	2.3	12.1	3.3	2.5	1.3	13.3	1.3	1.5	3.6	82.2	81.1	78.0	69.0	17.8	18.9	22.0	31.0
Mining	25.3	24.5	25.5	29.6	58.5	45.8	37.3	36.2	16.2	29.7	37.2	34.2	74.7	75.5	74.5	70.4	81.3	86.6	89.7	92.7	18.7	13.4	10.3	7.3	26.5	33.4	38.3	43.8	63.4	49.1	39.3	27.6	10.1	17.5	22.4	28.6	73.5	66.6	61.7	56.2	50.1	61.4	69.9	81.4	49.9	38.6	30.1	18.6		
Textiles and clothing	52.6	55.6	56.9	61.9	14.4	9.1	10.2	13.2	33.0	35.3	32.9	24.9	47.4	44.4	43.1	38.1	80.8	84.7	85.5	86.2	19.2	15.3	14.5	13.8	25.2	30.4	34.8	41.7	16.3	13.8	15.3	19.3	58.5	55.8	49.9	39.0	74.8	69.6	65.2	58.3	82.7	84.4	83.0	84.2	17.3	15.6	17.0	15.8		
Wood and paper products	35.4	54.0	63.4	76.7	9.6	3.3	5.3	7.6	55.0	42.7	31.3	15.7	64.6	46.0	46.6	23.3	77.2	79.8	79.2	84.0	22.8	20.8	16.0	35.7	35.9	35.0	37.1	58.2	52.1	44.8	38.7	6.1	12.0	20.2	24.2	64.3	64.1	65.0	62.9	34.4	40.8	44.2	58.5	65.6	59.2	55.8	41.5			
Machinery and equipment	25.1	31.4	33.9	35.2	68.3	60.1	55.2	42.5	6.6	8.5	10.9	22.3	74.9	68.6	66.1	64.8	48.7	70.6	79.6	91.3	51.3	29.4	20.4	8.7	49.3	55.6	55.6	56.4	43.7	36.2	36.2	35.8	7.0	8.2	8.2	7.8	50.7	44.4	43.6	91.7	94.7	95.9	97.0	8.3	5.3	4.1	3.0			
Other manufacturing products	34.4	30.4	33.4	33.5	65.4	69.4	66.4	66.3	0.2	0.2	0.2	0.2	65.6	69.6	66.6	66.5	98.7	98.7	98.7	98.7	1.3	1.3	1.3	1.3	30.6	33.0	34.5	38.2	59.4	55.3	53.9	50.9	10.0	11.7	11.6	10.9	69.4	67.0	65.5	61.8	99.6	99.6	99.6	0.4	0.4	0.4	0.4			
Utilities and transport	17.0	15.7	16.7	17.1	82.4	83.6	82.7	82.4	0.6	0.7	0.6	0.5	83.0	84.3	83.3	82.9	95.7	96.3	96.5	96.7	4.3	3.7	3.5	3.3	43.1	47.0	47.8	50.5	38.1	34.2	33.0	32.4	18.8	18.8	19.2	17.1	56.9	53.0	52.2	49.5	83.4	86.2	86.2	87.9	16.6	13.8	13.8			
Construction	TOTAL	43.1	47.0	47.8	50.5	38.1	34.2	33.0	32.4	18.8	18.8	19.2	17.1	56.9	53.0	52.2	49.5	83.4	86.2	86.2	87.9	16.6	13.8	13.8	12.1																									
Trade	Services																																																	

¹² Includes livestock, forestry and fishing.

if initial progress in the domestic manufacture of intermediate materials and capital goods is sustained. The role of public expenditure (public consumption and public investment) will continue to be strong. It will account for about one-quarter of the total increase in the growth of the economy. The principal impact of these expenditures will be felt by the construction sector where increases in public expenditure will account for 66.8% of the growth of value added in the sector during 1971-90.

TABLE 4-8

PENINSULAR MALAYSIA: SOURCES OF GROWTH BY
SECTOR¹³, 1970-90
(%)

	<i>Import substitution</i>	<i>Private consumption</i>	<i>Private investment</i>	<i>Public expenditure</i>	<i>Exports</i>
<i>Agriculture</i>	14.5	41.6	7.8	3.5	41.8
Agriculture and hunting	15.8	38.1	8.0	1.2	44.1
Forestry and logging	11.0	31.9	13.9	28.5	38.0
Fishing	7.0	76.9	1.5	2.1	26.7
<i>Mining</i>	50.6	29.8	19.9	33.0	9.9
<i>Manufacturing</i>	22.3	20.2	5.0	6.9	37.3
Food	11.6	25.3	0.4	0.8	49.2
Textiles and clothing	34.7	24.1	0.5	1.2	30.0
Wood and paper products	14.1	22.7	8.2	17.0	34.7
Chemical and rubber products	17.9	20.4	2.3	4.1	53.7
Basic metals and non-metallic products	25.0	10.9	11.4	22.3	11.0
Machinery and equipment	42.0	11.3	14.1	9.3	21.6
Other manufacturing products	31.4	31.6	5.1	5.6	25.9
<i>Utilities and transport</i>	8.7	46.1	4.7	15.8	16.0
<i>Construction</i>	1.0	7.4	26.0	66.8	2.1
<i>Trade</i>	8.0	50.7	11.5	8.0	20.7
<i>Public services</i>	0.5	5.8	0.2	94.1	0.6
<i>Private services</i>	6.1	73.4	3.2	10.4	7.8
TOTAL	12.1	33.0	6.4	24.2	22.8

¹³ Excludes technological change and stocks.

216. The role of export promotion in the attainment of the overall growth targets of the OPP is critical in regard to the manufacturing sector. Although private consumption will increasingly contribute towards growth of value added in the manufacturing sector, the targetted growth of almost all industries will depend substantially on export expansion. Among the broad industrial groups indicated in Table 4-9 below, the following warrant intensive promotional effort: oils and fats; textiles; wood products; industrial chemicals and fertilizer; chemical products and plastics; tyres and rubber products; electronics and electrical machinery; and industrial machinery.

TABLE 4-9

PENINSULAR MALAYSIA: SOURCES OF GROWTH IN THE
MANUFACTURING SECTOR¹⁴, 1970-90

(%)

	<i>Import substitution</i>	<i>Private consumption</i>	<i>Private investment</i>	<i>Public expenditure</i>	<i>Exports</i>
Processed food	14.3	29.8	0.4	1.2	32.7
Oils and fats	5.1	7.5	0.2	0.3	85.6
Other food	15.8	38.4	0.7	1.6	14.9
Beverages and tobacco	21.1	49.6	0.6	0.5	21.0
Textile and clothing	36.3	20.9	0.5	1.2	31.0
Leather and footwear	11.1	70.7	0	0.4	16.8
Sawmills and furniture	3.5	12.0	11.7	23.0	45.5
Paper and printing	28.0	36.8	3.6	9.0	20.5
Industrial chemicals and fertilizers	42.0	14.5	4.0	3.1	32.0
Chemical products	22.0	36.0	2.8	7.5	28.0
Petroleum refining	27.3	48.7	4.0	9.7	8.0
Rubber processing	3.0	2.8	0.3	0.4	93.8
Rubber products	13.5	44.6	4.4	7.0	30.7
Cement	4.3	8.6	22.5	54.7	0.8
Non-metallic products	22.3	20.4	13.4	32.3	12.3
Ferrous products	36.9	11.2	11.1	18.2	15.2
Non-ferrous products	7.6	4.1	2.3	2.6	5.4
Industrial machinery	48.7	3.0	16.4	10.4	20.0
Electrical machinery	29.5	13.0	9.2	6.6	40.9
Transport equipment	40.8	23.3	14.2	9.5	9.3
Other manufacturing products ..	31.4	31.6	5.1	5.6	25.9
TOTAL ..	22.3	20.2	5.0	6.9	37.4

¹⁴ Excludes technological change and stocks.

217. In contrast to the manufacturing sector where the principal factor contributing to the growth of value added will be export expansion, over one-half of the projected expansion of agricultural value added will come from the expansion of domestic demand. As *per capita* incomes increase and the share of the poor in total income widens, the demand for higher value food and food products will constitute a dynamic growth element in the development of the agricultural sector. Apart from commodities which have been traditionally produced within the country, the growth in the demand for fish and livestock products and the corresponding requirements for feed and fodder products will present sizeable opportunities for diversification of the agricultural sector.

IV. TOWARDS FULL EMPLOYMENT

218. The structural development of the economy as envisaged in the OPP will improve substantially the employment situation both in terms of the quantity and quality of employment. In relation to anticipated increases in the population and labour force, the growth of employment should be sufficient to reduce progressively the rate of unemployment as well as underemployment.

219. The rate of natural increase of population is anticipated to rise from 2.6% per annum in 1971-75 to 2.7% in 1976-80 and then to fall back to 2.6% during 1981-90 in view of the diminishing effects of the post World War II baby boom, the impact of higher standards of living and urbanization on family size and the spread of family planning. The total fertility rate (TFR)¹⁵ itself is expected to fall from 4.9 in 1970 and 4.5 in 1975 to 3.3 in 1990 for Peninsular Malaysia. In Sabah, the TFR is expected to decline from 6.4 in 1970 and 1975 to 5.9 in 1990 and for Sarawak from 5.8 in 1970 and 1975 to 5.7 in 1990. These trends in population growth, anticipated increases in the participation rate of married women in the labour force and the effects that longer periods of schooling have on the size of the labour force are estimated to bring about a growth in the total labour force of some 3.3% per annum during 1971-80 and 2.9% per annum during 1981-90.

220. In comparison with the estimated growth in the labour force, employment is targetted to grow by 3.3% per annum during the OPP period. In consequence, unemployment as a percentage of the labour force will be reduced from 7.4% in 1970 and 7.0% in 1975 to 6.1% in 1980 and 3.6% in 1990. By 1990, therefore, full employment of the labour force should be secured taking into account the fact that some 3%-4% of the labour force would conventionally comprise those in voluntary and frictional unemployment.

221. Labour productivity would also increase significantly in most sectors of the economy. In the agricultural sector where the bulk of underemployment currently exists, such growth in productivity would be an important objective of the poverty redressal efforts of the Government. Thus, underemployment can be expected to decline progressively so that by 1990 full employment of the labour force would be achieved at relatively high levels of labour utilization and worker incomes.

222. The projections of the OPP in regard to sectoral employment growth are shown in Table 4-10 below.¹⁶ Intensification of the Government's rural poverty redressal efforts will result in increases in the average annual growth of real productivity in the *agricultural sector* provided sufficient opportunities can be found for excess rural labour to find employment in

¹⁵ The total fertility rate can be interpreted as the number of children an average woman would have if cross-sectional fertility rates of the population are applied for the duration of her life time.

¹⁶ Sectoral employment growth is projected using employment elasticities (derived from historical series of sectoral value added and employment) adjusted for expected changes in the future.

new land development schemes and in the non-agricultural sectors of the economy. Sizeable as the magnitude of new land to be opened up for agricultural development will be, total employment creation in agriculture is estimated at only about 445,000 persons over the 20-year period or about 1% per annum over the OPP period. A major part of the task of absorbing the increases in the labour force as well as those currently underemployed will, therefore, fall upon the non-agricultural sectors of the economy.

223. The *manufacturing sector* is targetted to generate some 776,000 new jobs over the OPP period and thus contribute about 26% of total new employment. This is despite the estimate that the average annual growth of real productivity will continue to rise strongly in line with increases in the capital intensiveness of industrial production. Other industries in the secondary sector of the economy (including construction, utilities, transportation and communications) will contribute about 10.3% of total new employment.

224. In the *services sector*, the Government will generate about 643,000 new jobs or 21.3% of the total as education and health services, in particular, are extended. This means that an estimated 831,200 new jobs would have to be provided by the private sector in services industries. The resulting increases in the share of services in total employment will follow the development of the economy. However, the size of the labour force to be accommodated will not permit labour productivity to increase as significantly as in other industries in the primary and secondary sectors of the economy. Some degree of underemployment will, therefore, continue to persist, especially in unskilled service occupations in the urban economy.

225. The above trends in the growth of employment and productivity by industry of origin have important implications for distributional policy. It is seen from Table 4-11 that productivity will grow equally fast in the agricultural and manufacturing sectors in Peninsular Malaysia as agriculture undergoes progressive modernization. As shown in Section V below, these will lead to significant declines in the incidence of poverty in both the rural and urban areas of the country. Nevertheless, value added per worker in manufacturing will, by 1990, still be almost three times as high as in agriculture. However, a far greater proportion of the population will be in manufacturing compared to the position in 1970 with an increasing number of them being from the rural areas. This would help further narrow differences in income between rural and urban households.

226. With regard to the services sector, productivity is not expected to expand as rapidly as in agriculture and manufacturing. One reason for this will be the continued absorption of a large number of rural migrants who are currently unskilled in the services sector. The gap in average incomes between agricultural and service occupations is therefore expected to narrow as the value added per worker in the services sector is currently higher than in agriculture. In the urban areas, however, income disparities can be expected to widen, although such widening will occur at a decreasing rate

TABLE 4-10

MALAYSIA: EMPLOYMENT GROWTH, 1970-90

	1970		1975		1990		Share in job creation (%)	Increase, 1971-90 (000)	Share in job creation (%)	Average annual growth rate (%)					
	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)				1971-75	1971-90	1971-75	1971-90		
														Increase (000)	Share in job creation (%)
Agriculture, forestry, fishing, etc.	1,786.8	53.5	1,936.8	49.3	2,231.3	35.1	150.0	25.5	294.5	12.2	444.5	14.8	1.6	1.0	1.1
Mining and quarrying	87.3	2.6	86.6	2.2	92.6	1.5	-0.7	-0.1	6.0	0.2	5.3	0.2	0.2	0.2	0.3
Manufacturing	289.9	8.7	398.2	10.1	1,066.1	16.8	108.3	18.4	667.9	27.6	776.2	25.8	6.6	6.8	6.7
Construction	90.6	2.7	113.2	2.9	226.1	3.6	22.6	3.9	112.9	4.7	135.5	4.5	4.6	4.7	4.7
Utilities	18.6	0.6	23.9	0.6	45.2	0.7	5.3	0.9	21.3	0.9	26.6	0.9	5.1	4.3	4.5
Transport, storage and communications	133.4	4.0	179.4	4.6	279.7	4.4	46.0	7.8	100.3	4.1	146.3	4.9	6.1	3.0	3.8
Wholesale and retail trade	379.9	11.4	495.9	12.6	987.6	15.5	116.0	19.7	491.7	20.3	607.7	20.2	5.5	4.7	4.9
Banking, insurance and real estate	26.8	0.8	32.7	0.8	63.8	1.0	5.9	1.0	31.1	1.3	37.0	1.2	4.1	4.6	4.4
Public administration, education, health and defence	403.9	12.0	508.8	13.0	1,046.5	16.5	104.9	17.8	537.7	22.2	642.6	21.3	4.7	4.9	4.9
Other services	122.3	3.7	152.3	3.9	308.8	4.9	30.0	5.1	156.5	6.5	186.5	6.2	4.5	4.8	4.7
TOTAL	3,339.5	100.0	3,927.8	100.0	6,347.7	100.0	588.3	100.0	2,419.9	100.0	3,008.2	100.0	3.3	3.3	3.3
Population	10,777.0		12,249.0		18,103.0										
Labour force	3,606.8		4,225.0		6,587.1										
Unemployment	267.3		297.2		239.4										
Unemployment (%)	7.4		7.0		3.6										

TABLE 4-11

**PENINSULAR MALAYSIA: VALUE ADDED PER WORKER
BY SECTOR, 1970-90**

(\$ in 1970 prices)

Sector	1970	1975	1990	Average annual growth rate (%)		
				1971-75	1976-90	1971-90
Agriculture, forestry, fishing, etc.	1,914	2,361	4,572	4.3	4.5	4.5
Mining and quarrying	6,938	5,851	10,426	-3.4	3.9	2.1
Manufacturing	5,196	6,353	12,472	4.1	4.6	4.5
Construction	5,096	6,057	10,299	3.5	3.6	3.6
Utilities	12,267	15,769	29,972	5.2	4.4	4.6
Transport, storage and communications	4,039	5,448	11,770	6.2	5.3	5.5
Wholesale and retail trade ..	3,573	4,012	6,848	2.3	3.6	3.3
Banking, insurance and real estate	35,475	38,617	65,315	1.7	3.6	3.1
Public administration, education, health and defence ..	3,856	4,519	7,409	3.2	3.4	3.3
Other services	2,166	2,387	3,944	2.0	3.4	3.0
TOTAL ..	3,376	4,078	8,241	3.9	4.8	4.6

as growth in value added per worker in the services sector accelerates during 1976-90. An important contribution in the latter regard will be from Government programmes which prepare rural youth for productive employment outside agriculture.

227. It is in cognizance of these disparities in income between those employed in manufacturing on the one hand and agriculture and services on the other that the Government will give enlarged emphasis to redistributive programmes which directly contribute to the quality of life of the poor in both the rural and urban areas of the country. They will serve to supplement the limited cash incomes of the poor and thus contribute directly to an improvement of their real living standards.

228. Table 4-12 translates the sectoral employment targets of Table 4-10 above into broad estimates of the country's manpower requirements by principal occupational categories¹⁷ on the basis of information assembled in the 1970 Population Census and the 1973 National Manpower Survey as well as local and international evidence on the relationship between occupational requirements by sector on the one hand and the level of

¹⁷ The occupational classification used in the projections is derived from the Dictionary of Occupational Classification published by the Ministry of Labour and Manpower. The Dictionary, following standard international practice, classifies occupations on the basis of job descriptions for each of the occupations concerned, irrespective of formal qualifications.

economic and technological development on the other¹⁸. In the light, *inter alia*, of the targets of the OPP for agricultural modernization and industrial growth, the demand for *professional, technical and related workers* at both the professional and sub-professional levels will grow by 5.5% per annum—a rate of growth which will exceed that of most occupational categories. Within the total, the requirement for engineers is anticipated to expand by 8.0% per annum; agronomists and related agricultural specialists, 6.3% and engineering assistants 6.8%. In relation to the average for all occupations, rapid increases in demand will also be experienced for personnel in administration and management, particularly in business, as well as industrial production workers for whom specialized vocational training will be required.

229. It is clear that these requirements of technological growth will entail a considerable change in the present occupational structure of the country. Not only will the share of scientific and technical personnel in the occupational structure have to be enlarged, the skills of the labour force in all sectors and at all occupational levels will have to be substantially upgraded. It is significant to note in this connection that the attainment of the income and income distribution goals of the OPP, dependent as they are on rapid agricultural and industrial growth, hinge upon progressive enhancement of worker productivity throughout the projection period. In fact, the projections in Table 4-11 above imply that the increased output from both agriculture and manufacturing in the eighties will have to be generated with the aid of only one-half of the number of workers required for similar increases of output in the seventies. The Government will therefore give critical importance to upgrading the productivity of the agricultural and industrial work force through improvements in farm practices and extension services in the former case and skill training by way of vocational, apprenticeship and other in-service training schemes in the latter. In the process, the private sector will have to play an expanded role in implementing the efforts of the Government in the production of skilled manpower.

230. The policy implications for educational planning are as follows. In the first place, sizeable increases in the production of scientific and technical personnel at both the professional and sub-professional levels are needed. In absolute terms, some 57,000 additional scientific and technical personnel will be required at the degree level and 81,000 at the diploma level between 1975 and 1990.

231. In contrast, present growth in the number of personnel with education in the liberal arts will need to be curtailed if growing surpluses of such manpower are to be avoided. Within the non-technical disciplines, the critical requirement will be for professional and sub-professional personnel trained in business administration and corporate management.

¹⁸ In the absence of sufficiently long time series data on occupational structures and output, the sectoral employment projections were translated into estimates of occupational requirements on the basis of available information as well as the observed relationship between occupational structures and the levels of economic and technological development in respect of 53 countries at different stages of development, published by the Organization of Economic Co-operation and Development (OECD).

TABLE 4-12

MALAYSIA: EMPLOYMENT BY OCCUPATION, 1970, 1975 AND 1990

Occupation	1970		1975		1990		Increase, 1971-75	Percentage distribution	Increase, 1976-90	Percentage distribution	Increase, 1971-90	Percentage distribution	Average annual growth rate (%)	
	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)							1971-75	1976-90
Professional and technical	151.0	4.5	197.9	5.1	440.5	6.9	46.9	8.0	242.6	10.0	289.5	9.6	5.6	5.5
Administrative and managerial	26.4	0.8	41.0	1.0	89.8	1.4	14.6	2.5	48.8	2.0	63.4	2.1	9.2	5.4
Clerical workers	163.2	4.9	213.6	5.4	434.8	6.9	50.4	8.6	221.2	9.1	271.6	9.0	5.5	4.9
Sales workers	339.1	10.1	342.7	8.7	479.1	7.6	3.6	0.6	136.4	5.6	140.0	4.7	0.2	2.3
Agricultural workers	1,736.8	52.0	1,846.2	47.0	2,132.7	33.6	109.4	18.6	286.5	11.9	395.9	13.2	1.2	1.0
Production workers	406.4	12.2	534.2	13.6	1,232.2	19.4	127.8	21.7	698.0	28.9	825.8	27.4	5.6	5.7
Service and other workers	516.6	15.5	752.2	19.2	1,538.6	24.2	235.6	40.0	786.4	32.5	1,022.0	34.0	7.8	4.9
TOTAL	3,339.5	100.0	3,927.8	100.0	6,347.7	100.0	588.3	100.0	2,419.9	100.0	3,008.2	100.0	3.3	3.3

232. The satisfaction of these requirements as well as the expansion of skilled manpower among operatives in the agricultural and industrial work force make it necessary for personnel and facilities for science, technical and commercial education and training at the secondary and tertiary levels to be vastly expanded and improved in the next fifteen years. To maximize the productivity of expanded teaching resources, it will also be necessary to improve the content and curriculum of both formal and informal education to keep abreast of technological advances.

233. During the OPP period, the structural changes envisaged for the economy will result in sizeable increases in the demand for blue collar occupations. Occupational preferences of school leavers and the structure of incentives both monetary and non-financial will, therefore, have to be closely geared to the projected occupational structure of employment.

234. While the mobilization of the required capital for attaining the long-term targets of economic growth and employment will continue to be a challenge, the most critical requirement will be to expand the quantum of skilled manpower in the country. Provided that both these constraints can be overcome, a wide enough set of opportunities will be created to enable poverty and current economic imbalances among income and racial groups and regions in the country to be progressively reduced. The following sections outline the targets and the policies and programmes required in respect of the two prongs of the NEP for poverty eradication irrespective of race and the restructuring of society.

V. ERADICATION OF POVERTY

235. The magnitude of the effort required for the eradication of poverty cannot be underestimated. Since Independence, poverty redressal has occupied a central place in Government's policies and programmes for socio-economic development. A large number of the more easily implementable programmes to deal with poverty have already been carried out or are in the process of implementation. Nevertheless, much more remains to be done in both the rural and urban areas of the country. This is a process which can be effectively accomplished only with bold policies and programmes, a considerable allocation of the nation's financial and human resources to the effort, political will and time.

236. The extent of the problem confronting the country at the inception of the NEP is summarized in Table 4-13 below. It is discussed in more detail in Section II of Chapter IX. Taking account of the basic requirements for an average Malaysian household to maintain a family in good nutritional health as well as provide for minimum needs in respect of clothing, housing, household management and transport, it is seen that about one-half (or 800,000 households) were in poverty in 1970 out of 1.6 million households in Peninsular Malaysia. The largest number of these poor households was located in the rural areas and accounted for about 89% of all the poor with most of them in rubber smallholdings, single

TABLE 4-13

**PENINSULAR MALAYSIA: POOR HOUSEHOLDS¹⁹ BY RURAL
AND URBAN STRATA, 1970-90²⁰**

	1970				1975				1980				1990			
	Total house- holds (000)	Total poor house- holds (000)	Incidence of poverty (%)	Per- centage among poor	Total house- holds (000)	Total poor house- holds (000)	Incidence of poverty (%)	Per- centage among poor	Total house- holds (000)	Total poor house- holds (000)	Incidence of poverty (%)	Per- centage among poor	Total house- holds (000)	Total poor house- holds (000)	Incidence of poverty (%)	Per- centage among poor
RURAL:																
Agriculture	852.9	582.4	68.3	73.6	915.1	576.5	63.0	69.0	937.5	471.8	49.3	51.4	908.8	241.5	26.6	46.9
Rubber smallholders ..	350.0	226.4	64.7	28.6	396.3	233.8	59.0	28.0	423.4	169.4	40.0	22.0	417.2	100.1	24.0	19.5
Oil palm smallholders ..	6.6	2.0	30.3	0.3	9.9	0.9	9.1	0.1	124.5	2.0	8.2	0.3	22.8	0.7	3.0	0
Coconut smallholders ..	32.0	16.9	52.8	2.1	34.4	17.5	50.9	2.1	34.0	16.0	47.1	2.1	28.4	7.7	27.1	1.5
Padi farmers	140.0	123.4	88.1	15.6	148.5	114.3	77.0	13.7	150.1	109.6	73.0	14.2	133.4	40.0	30.0	7.8
Other agriculture ²¹ ..	285.9	185.6	64.9	23.5	284.4	183.8	64.6	22.0	283.0	152.7	54.0	19.9	266.2	71.1	29.0	15.0
Fishermen	38.4	28.1	73.2	3.5	41.6	26.2	63.0	3.1	42.5	22.1	52.0	2.9	40.8	15.9	39.0	3.1
Other industries	350.5	123.5	35.2	15.6	432.8 153.4	153.4 153.4	35.4 35.4	18.4	543.2	174.9	32.2	22.8	780.9	147.4	18.9	28.7
Sub-total (Rural) .. .	1,203.4	705.9	58.7	89.2	1,348.5	729.9	54.1	87.4	1,500.7	646.7	43.1	84.2	1,689.7	388.9	23.0	75.6
URBAN:																
Mining	5.4	1.8	33.3	0.2	5.3	2.0	37.7 37.7	0.2	5.4	1.7	31.5 31.5	0.2	5.5	1.0	18.2	10.2
Manufacturing	84.0	19.7	23.5	2.5	120.4	21.0	17.3 17.3	2.5	181.1	25.4	14.0	3.3	406.2	31.0	7.6	6.0
Construction	19.5	5.9	30.2	0.7	25.5	6.1	25.9	0.7	33.8	6.8	20.0	0.9	56.7	7.1	12.5	1.4
Transport and utilities	42.4	13.1	30.9	1.7	64.4	13.8	21.4	1.7	84.5	14.6	17.3	1.9	128.5	11.1	8.6	2.2
Trade and services .. .	251.3	45.4	18.1	5.7	337.4	62.3	18.5	7.5	465.0	73.1	15.7	9.5	784.2	74.8	9.5	14.6
Sub-total (Urban) .. .	402.6	85.9	21.3	10.8	553.0	105.2	19.0	12.6	769.8	121.6	15.8	15.8	1,381.1	125.0	9.1	24.4
TOTAL	1,606.0	791.8	49.3	100.0	1,901.5	835.1	43.9	100.0	2,270.5	768.3	33.8	100.0	3,070.8	513.9	16.7	100.0

¹⁹ The poverty line income employed to distinguish poor households from other households is a monthly income that is necessary to cover minimum nutritional requirements and essential non-food expenses to sustain a decent standard of living.

²⁰ The statistical bases for the estimates and projections include: the Post Enumeration Survey of the 1970 Population Census; the Labour Force Surveys of the Department of Statistics; and socio-economic surveys on specific poverty groups undertaken by various agencies including the Ministries of Agriculture, Primary Industries, Labour and Manpower and Housing and Village Development and the Socio-Economic Research and General Planning Unit of the Prime Minister's Department.

²¹ The category includes agricultural households in urban areas, agricultural labour, estate workers and mixed farmers.

crop padi cultivation, fishing and agricultural contract employment. Although not a relatively significant problem at present, urban poverty could grow to be more serious in view of the continuing inflow of excess rural labour into urban areas.

237. Currently, the problem of poverty is predominantly that of the Malays and other indigenous people as they are now concentrated in low productivity agricultural occupations. Malays formed 74% of all the poor in Peninsular Malaysia. Within the major racial groups, 65% of all the Malays were poor. In comparison, the incidence of poverty among the Chinese was 26% and Indians, 39%. Among the poor Chinese, the majority were in New Villages particularly those situated in remote rural areas. The bulk of the Indian poor are to be found in the agricultural estates.

238. The overall objective is to bring about a marked reduction in the incidence of poverty in the country, irrespective of race. The indicative targets for poverty redressal by socio-economic groups are shown in Table 4-13. With the realization of these targets, current income differences between different racial groups will be significantly narrowed.

239. The achievement of these targets will require that opportunities be enlarged for the poor to meaningfully participate in the attainment of the economic growth targets set out in Section III above. Only in this way will they be able to share in the benefits arising from accelerated economic development. The Government's long-term planning strategy for the alleviation of *rural poverty* comprises four basic elements. As the lack of productive assets is in many cases a major factor accounting for low productivity and low incomes, planning strategy will in the *first* place emphasize the provision of assistance to the poor to enable them to expand their productive capital and to utilize this capital efficiently. To this end, the OPP envisages, *inter alia*, the opening up of over four million acres of land for settlement by the landless and those with uneconomic holdings; the irrigation of an additional 300,000 acres for double cropping bringing the total double-cropped area in the country to about 700,000 acres in 1990; the replanting, rehabilitation and redevelopment of 1.8 million acres during the 20-year period for high yielding rubber, coconut and pineapple production; the introduction of off-season cropping, inter-cropping and mixed farming to supplement main crop incomes; the promotion of livestock and fishing development as well as the cultivation of new agricultural crops, including horticulture, cocoa, animal feed and sugarcane to provide a widening range of opportunities for the poor to engage in productive modern agriculture; and the strengthening of the co-operative movement as a vehicle for mobilizing and channelling the resources of the rural community for its betterment. In the implementation of all these programmes, the provision of extension, marketing and credit services will be intensified to help in the application of improved technology while research on the technical problems related to the productivity of the poorest will be emphasized so that productivity and incomes may be progressively raised.

Complementary to the measures to expand the access of the rural poor to productive assets will be the enhancement of their human capital and skills—the relative lack of which is to a large extent at the core of the problem of poverty.

240. A *second* element in the long-term planning strategy for poverty redressal will be to relieve current population pressure in the most congested sectors of agriculture. This will involve the provision of opportunities for the poor, in particular, the landless and others with uneconomic-sized holdings as well as inshore fishermen to move into more productive agricultural and non-agricultural employment. An important component of the Government's education and training programmes will be to expand the opportunities for rural youth to acquire the skills required for modern agricultural and industrial employment.

241. The strategies for rural modernization will also focus on the fundamental need for enhancement of the quality of life for the poor. Thus, a *third* element in the strategy will be the provision of better and more efficient services in the fields of housing, transportation, water supply, electricity, education, health, nutrition and family planning. These will receive as much attention as that to be given by the Government to programmes which contribute directly to increasing cash incomes.

242. A *fourth* element is the accelerated creation of productive employment opportunities in the secondary and tertiary sectors of the economy. This will continue to be a central element in the task to alleviate urban poverty. To this end, public policy in the promotion and dispersal of industrial development will emphasize the need to channel more capital to small-scale and labour intensive industries and ensure that fiscal incentives encourage the use of labour intensive methods of production. The long-term planning strategy for the redressal of urban poverty as well as rural poverty will also focus on increasing the access of the urban poor to basic public services in the endeavour to increase more directly their productivity and improve their quality of life.

243. Taking account of the progress achieved under the SMP and the targets of the TMP, Table 4-13 indicates the extent by which the incidence of poverty could decline over the 20-year period given the sustained implementation of the poverty redressal strategies discussed above. A marked reduction in the overall incidence of poverty by over one-half from about 50% in 1970 to under 20% in 1990 would be a distinct possibility with major improvements accruing to the rural areas. The incidence of poverty there could fall from 59% in 1970 to 23% in 1990 with the number of poor households declining from 706,000 to 390,000. However, the number of poor households in the urban areas could increase from 86,000 to 125,000, although the incidence of poverty would decline from 21% to a low of 9%. The principal factor accounting for the increase in the number of poor urban households would be the continued flow of excess rural labour into

the urban areas. The distribution of poor households between the rural and urban areas of the economy will accordingly undergo significant change. In 1970, the number of poor households in the rural areas was almost eight times as large as that in the urban economy. By 1990, the ratio could be reduced to three to one.

244. In agriculture, the proportion of households in poverty in each major socio-economic group could fall by two to three times if the pace of transformation of the agricultural economy as envisaged in the OPP is realized. In the case of rubber smallholders, padi cultivators and mixed farmers, land consolidation will be vital for providing economic-sized holdings. In addition, a wholesale restructuring of cropping patterns in the padi economy is required under which, the production of off-season crops and livestock would be emphasized in addition to padi. With respect to fishermen, measures will be taken to improve their productivity through better equipment and training as well as aquaculture. In addition, if necessary, movement into agricultural and other occupations will be encouraged. Apart from such movement, the fishing industry as a whole will be developed to encompass all related undertakings so as to create opportunities for the full participation of the fishing community itself in the entire range of activities in the sector. Promotional, training and vocational programmes will be implemented for the purpose. With these efforts, the incidence of poverty as shown in Table 4-13 can be substantially reduced.

VI. RESTRUCTURING OF SOCIETY

245. The second prong of the NEP seeks to ensure that the process of economic growth is designed to enable all racial groups to participate in all fields and at all levels of economic activity. The aim is balanced participation by all racial communities in the growth and diversification of the economy. The two most important targets in this regard are that: employment in the various sectors of the economy and employment at all occupational levels should reflect the racial composition of the country by 1990; and ownership of productive wealth should be restructured so that by 1990 the Malays and other indigenous people own and operate at least 30% of the total.

Restructuring the racial composition of employment

246. As indicated in Chapter VIII, the historically inherited pattern of employment has produced considerable imbalances in the representation of the major racial communities in the different sectors of the economy. Whereas the Malays and other indigenous people are in the majority in agriculture, other Malaysians are concentrated in the secondary and tertiary sectors, in particular, mining, manufacturing, construction and commerce. The attainment of a more equitable racial representation in the employment pattern thus calls for sustained effort at bringing about inter-sectoral labour movements of a sizeable order.

247. As shown in Table 4-14 below for Peninsular Malaysia, the progress achieved in enlarging the share of the Malays in the secondary and tertiary sectors during 1971-75 has been significant, although these increases have taken place largely at the lower levels of the occupational hierarchy. The unemployment rate among the Malays declined from 8.1% in 1970 to 6.9% in 1975 but in absolute terms the number unemployed increased marginally from 126,400 to 128,300. Employment among Chinese and Indians in absolute terms also increased but unemployment among them rose. While their shares in secondary and tertiary industries declined, corresponding increases of employment in agriculture did not take place. Among the Chinese, the unemployment rate increased from 7.0% to 7.2% or in absolute terms from 77,300 to 93,800 and among the Indians, from 11.0% to 12.2% or in absolute terms from 36,800 to 47,300.

248. To achieve the desired patterns of restructuring by 1990, Malay employment in secondary and tertiary industries will have to grow by 7.5% and 5.8% per annum respectively over the next fifteen years. These targets imply that Malay employment would have to account for as much as 66% of total new employment in industry and 54% in services during 1976-90. In other words, the absorption of the Malays and other indigenous people in the manufacturing sector will have to be sustained at the high rate achieved under the SMP. Employment growth in construction, transportation and commerce could be more moderate in view of the considerable progress made during 1971-75.

249. With respect to other Malaysians, the restructuring targets require that employment should grow by 3.1% per annum in secondary industry and 4.1% in services. Even allowing for the continued rapid growth of Malay employment in the manufacturing sector, it is seen that the quantum of employment to be created will be large enough to enable job opportunities for other Malaysians in manufacturing and services to grow at a pace which is faster than the growth of their labour force.

250. For the Chinese, the restructuring targets would permit employment in agriculture, manufacturing, utilities and services to grow at rates in excess of that of the labour force. The rate of employment growth in other sectors would, however, fall below that of the labour force. However, with the intended expansion of Chinese agricultural employment, the increase in their rate of unemployment from 7.0% in 1970 to 7.2% in 1975 could be reversed to fall to 4.0% by 1990. For the Indians, who now face an unemployment rate which is about one and a half times higher than that among the Malays and the Chinese, the restructuring targets require that their employment in manufacturing and commerce should grow almost as fast as that for the Malays and that their employment in services should be stepped up.

TABLE 4-14

PENINSULAR MALAYSIA: EMPLOYMENT BY RACE AND
SECTOR, 1970-90
(000)

	1970		1975		1980		1985		1990	
	Malay	Percentage of sector total	Chinese	Percentage of sector total	Indian	Percentage of sector total	Others	Percentage of sector total	Total	Percentage of total employment
<i>1970</i>										
Primary ²²	951.1	67.6	300.9	21.4	142.0	10.1	12.0	0.9	1,406.0	50.3
Secondary ²³	173.1	30.8	335.1	59.5	51.7	9.2	2.9	0.5	562.8	20.2
Tertiary ²⁴	312.4	37.9	398.3	48.3	103.9	12.6	10.3	1.2	824.9	29.5
TOTAL	1,436.6	51.4	1,034.3	37.0	297.6	10.7	25.2	0.9	2,793.7	100.0
Population	4,822.0	52.7	3,274.0	35.8	978.0	10.7	73.0	0.8	9,147.0	100.0
Labour force	1,563.0	51.5	1,111.6	36.6	334.4	11.1	26.0	0.8	3,035.0	100.0
Unemployment	126.4		77.3		36.8		0.8		241.3	
Unemployment (%)	8.1		7.0		11.0		3.1		8.0	
<i>1975</i>										
Primary	1,032.6	67.3	317.6	20.7	170.3	11.1	13.8	0.9	1,534.3	46.2
Secondary	265.0	36.5	386.9	53.3	71.1	9.8	3.3	0.4	726.3	21.9
Tertiary	447.2	42.3	499.6	47.3	100.3	9.5	9.5	0.9	1,056.6	31.9
TOTAL	1,744.8	52.6	1,204.1	36.3	341.7	10.3	26.6	0.8	3,317.2	100.0
Population	5,510.0	53.1	3,687.0	35.5	1,105.0	10.6	83.0	0.8	10,385.0	100.0
Labour force	1,873.1	52.2	1,297.9	36.2	389.0	10.8	30.0	0.8	3,590.0	100.0
Unemployment	128.3		93.8		47.3		3.4		272.8	
Unemployment (%)	6.9		7.2		12.2		11.3		7.6	

1990

Primary ..	1,091.4	61.4	503.2	28.3	170.6	9.6	12.4	0.7	1,777.6	32.6
Secondary ..	782.7	51.9	575.3	38.1	143.1	9.5	7.0	0.5	1,508.1	27.7
Tertiary ..	1,046.8	48.4	844.5	39.0	252.1	11.7	20.0	0.9	2,163.4	39.7
TOTAL ..	2,920.9	53.6	1,923.0	35.3	565.8	10.4	39.4	0.7	5,449.1	100.0
Population ..	8,163.0	54.1	5,230.0	34.6	1,599.0	10.6	108.0	0.7	15,100.00	100.0
Labour force ..	3,042.0	53.6	2,003.5	35.3	589.5	10.4	41.0	0.7	5,676.0	100.0
Unemployment ..	121.1		80.5		23.7		1.6		226.9	
Unemployment (%) ..	4.0		4.0		4.0		4.0		4.0	

22 Agriculture.

23 Mining, manufacturing, construction, utilities and transport.

24 Wholesale and retail trade, banking, public administration, education, health and defence.

TABLE

PENINSULAR MALAYSIA: EMPLOYMENT BY

		1970				
		Malay	Chinese	Indian	Others	Total
PRIMARY SECTOR						
Professional and technical workers		1,869	816	563	94	3,342
(%)		55.9	24.4	16.9	2.8	100.0
Administrative and managerial workers		283	1,006	115	28	1,432
(%)		19.8	70.2	8.0	2.0	100.0
Clerical workers		2,531	2,936	2,644	49	8,160
(%)		31.0	36.0	32.4	0.6	100.0
Sales workers		86	327	35	1	449
(%)		19.2	72.8	7.8	0.2	100.0
Agricultural workers		923,580	279,480	126,267	11,710	1,341,037
(%)		68.9	20.8	9.4	0.9	100.0
Production workers		9,348	6,979	5,017	43	21,387
(%)		43.7	32.6	23.5	0.2	100.0
Service and other workers		13,404	9,355	7,359	75	30,193
(%)		44.4	31.0	24.4	0.2	100.0
	SUB-TOTAL	951,101	300,899	142,000	12,000	1,406,000
	(%)	67.6	21.4	10.1	0.9	100.0
SECONDARY SECTOR						
Professional and technical workers		2,609	5,413	1,577	449	10,048
(%)		26.0	53.9	15.7	4.4	100.0
Administrative and managerial workers		1,887	9,709	829	420	12,845
(%)		14.7	75.6	6.4	3.3	100.0
Clerical workers		14,141	21,910	7,324	625	44,000
(%)		32.1	49.8	16.7	1.4	100.0
Sales workers		677	6,269	784	55	7,785
(%)		8.7	80.5	10.1	0.7	100.0
Agricultural workers		1,423	1,130	521	26	3,100
(%)		45.9	36.5	16.8	0.8	100.0
Production workers		96,283	196,165	22,985	761	316,194
(%)		30.5	62.0	7.3	0.2	100.0
Service and other workers		56,138	94,464	17,622	604	168,828
(%)		33.3	55.9	10.4	0.4	100.0
	SUB-TOTAL	173,158	335,060	51,642	2,940	562,800
	(%)	30.8	59.5	9.2	0.5	100.0

OCCUPATION, RACE AND SECTOR, 1970-90

1975					1990				
Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
3,460	1,147	1,115	130	5,852	4,609	4,783	1,120	103	10,615
59.1	19.6	19.1	2.2	100.0	43.4	45.1	10.5	1.0	100.0
462	1,078	178	33	1,751	594	1,492	180	30	2,296
26.4	61.5	10.2	1.9	100.0	25.9	65.0	7.8	1.3	100.0
3,414	3,108	2,943	69	9,534	3,579	3,629	2,945	65	10,218
35.8	32.6	30.9	0.7	100.0	35.0	35.5	28.8	0.7	100.0
102	328	41	1	472	124	395	40	0	559
21.6	69.5	8.7	0.2	100.0	22.2	70.6	7.2	0	100.0
994,941	294,084	151,056	13,284	1,453,365	1,049,816	467,303	151,334	11,977	1,680,430
68.5	20.2	10.4	0.9	100.0	62.5	27.8	9.0	0.7	100.0
12,389	7,592	6,072	111	26,164	13,805	10,966	6,287	92	31,150
47.4	29.0	23.2	0.4	100.0	44.3	35.2	20.2	0.3	100.0
17,832	10,263	8,895	172	37,162	18,873	14,632	8,694	133	42,332
48.0	27.6	23.9	0.5	100.0	44.6	34.6	20.5	0.3	100.0
1,032,600	317,600	170,300	13,800	1,534,300	1,091,400	503,200	170,600	12,400	1,777,600
67.3	20.7	11.1	0.9	100.0	61.4	28.3	9.6	0.7	100.0
7,325	8,034	2,363	576	18,298	36,949	20,637	6,854	856	65,296
40.0	43.9	12.9	3.2	100.0	56.6	31.6	10.6	1.3	100.0
3,656	11,359	1,409	382	16,806	13,914	15,062	2,795	437	32,208
21.7	67.6	8.4	2.3	100.0	43.2	46.7	8.7	1.4	100.0
21,760	27,312	8,757	662	58,491	45,938	36,252	12,368	882	95,440
37.2	46.7	15.0	1.1	100.0	48.1	38.0	13.0	0.9	100.0
548	6,174	758	56	7,536	10,486	10,274	2,404	128	23,292
7.3	81.9	10.1	0.7	100.0	45.0	44.1	10.3	0.5	100.0
1,558	1,429	552	22	3,561	3,668	2,235	879	38	6,820
43.8	40.1	15.5	0.6	100.0	53.8	32.8	12.9	0.6	100.0
146,949	227,736	34,526	971	410,182	481,514	360,011	83,318	3,225	928,068
35.8	55.5	8.4	0.3	100.0	51.9	38.8	9.0	0.3	100.0
83,267	104,818	22,717	624	211,426	190,231	130,829	34,482	1,434	356,976
39.4	49.6	10.7	0.3	100.0	53.3	36.6	9.7	0.4	100.0
265,063	386,862	71,082	3,293	726,300	782,700	575,300	143,100	7,000	1,508,100
36.5	53.3	9.8	0.4	100.0	51.9	38.1	9.5	0.5	100.0

TABLE

PENINSULAR MALAYSIA: EMPLOYMENT BY

		1970				
		Malay	Chinese	Indian	Others	Total
TERTIARY SECTOR						
Professional and technical workers		56,673	42,647	14,373	2,522	116,215
(%)		48.7	36.7	12.4	2.2	100.0
Administrative and managerial workers		2,929	4,248	755	550	8,482
(%)		34.5	50.1	8.9	6.5	100.0
Clerical workers		30,087	46,510	10,113	1,150	87,860
(%)		34.3	52.9	11.5	1.3	100.0
Sales workers		74,638	198,036	34,038	1,094	367,806
(%)		24.2	64.3	11.1	0.4	100.0
Agricultural workers		12,970	2,661	4,684	38	20,353
(%)		63.7	13.1	23.0	0.2	100.0
Production Workers		6,418	11,549	2,780	102	20,849
(%)		30.8	55.4	13.3	0.5	100.0
Service and other workers		128,682	92,651	37,158	4,844	263,335
(%)		48.9	35.2	14.1	1.8	100.0
	SUB-TOTAL ..	312,397	398,302	103,901	10,300	824,900
	(%) ..	37.9	48.3	12.6	1.2	100.0
ALL SECTORS						
\ Professional and technical workers		61,151	48,876	16,513	3,065	129,605
(%)		47.2	37.7	12.7	2.4	100.0
2 Administrative and managerial workers		5,099	14,963	1,699	998	22,759
(%)		22.4	65.7	7.5	4.4	100.0
4 Clerical workers		46,759	71,356	20,081	1,824	140,020
(%)		33.4	51.0	14.3	1.3	100.0
7 Sales workers		75,401	204,632	34,857	1,150	316,040
(%)		23.9	64.7	11.0	0.4	100.0
1 Agricultural workers		937,973	283,271	131,472	11,774	1,364,490
(%)		68.7	20.8	9.6	0.9	100.0
7 Production workers		112,049	214,693	30,782	906	358,430
(%)		31.3	59.9	8.6	0.2	100.0
7 Service and other workers		198,224	196,470	62,139	5,523	462,356
(%)		42.9	42.5	13.4	1.2	100.0
	TOTAL ..	1,436,656	1,034,261	297,543	25,240	2,793,700
	(%) ..	51.4	37.0	10.7	0.9	100.0

4-15—(cont.)

OCCUPATION, RACE AND SECTOR, 1970-90

1975					1990				
Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
72,180 49.1	54,363 37.0	17,831 12.2	2,539 1.7	146,913 100.0	151,912 48.8	118,355 38.1	36,689 11.8	4,149 1.3	311,105 100.0
6,694 45.2	5,979 40.3	1,732 11.7	413 1.8	14,818 100.0	21,941 55.8	12,513 31.8	4,256 10.8	636 1.6	39,346 100.0
44,809 39.8	56,811 50.4	10,015 8.9	982 0.9	112,617 100.0	128,802 48.3	104,117 39.1	31,174 11.7	2,439 0.9	266,532 100.0
78,975 25.5	201,131 64.8	29,868 9.6	374 0.1	310,348 100.0	153,875 36.5	220,394 52.2	46,353 11.0	1,370 0.3	421,992 100.0
2,869 45.8	937 15.0	2,454 39.2	—	6,260 100.0	6,994 51.4	3,080 22.6	3,470 25.5	70 0.5	13,614 100.0
16,164 42.9	18,380 48.8	3,050 8.1	73 0.2	37,667 100.0	61,887 54.8	36,657 32.5	13,622 12.0	744 0.7	112,910 100.0
225,509 52.7	161,999 37.8	35,350 8.3	5,119 1.2	427,977 100.0	521,389 52.2	349,384 35.0	116,536 11.7	10,592 1.1	997,901 100.0
447,200 42.3	499,600 47.3	100,300 9.5	9,500 0.9	1,056,600 100.0	1,046,800 48.4	844,500 39.0	252,100 11.7	20,000 0.9	2,163,400 100.0
82,965 48.5	63,544 37.1	21,309 12.5	3,245 1.9	171,063 100.0	193,470 50.0	143,775 37.2	44,663 11.5	5,108 1.3	387,016 100.0
10,812 32.4	18,416 55.2	3,319 9.9	828 2.5	33,375 100.0	36,449 49.3	29,067 39.4	7,231 9.8	1,103 1.5	73,850 100.0
69,983 38.7	87,231 48.3	21,715 12.0	1,713 1.0	180,642 100.0	178,319 47.9	143,998 38.7	46,487 12.5	3,386 0.9	372,190 100.0
79,625 25.0	207,633 65.2	30,667 9.6	431 0.2	318,356 100.0	164,485 36.9	231,063 51.8	48,797 11.0	1,498 0.3	445,843 100.0
999,368 68.3	296,450 20.3	154,062 10.5	13,306 0.9	1,463,186 100.0	1,060,478 62.3	472,618 27.8	155,683 9.2	12,085 0.7	1,700,864 100.0
175,502 37.0	253,708 53.5	43,648 9.2	1,155 0.3	474,013 100.0	557,206 52.0	407,634 38.0	103,227 9.6	4,061 0.4	1,072,128 100.0
326,608 48.3	277,080 40.9	66,962 9.9	5,915 0.9	676,565 100.0	730,493 52.3	494,845 35.4	159,712 11.4	12,159 0.9	1,397,209 100.0
1,744,863 52.6	1,204,062 36.3	341,682 10.3	26,593 0.8	3,317,200 100.0	2,920,900 53.6	1,923,000 35.3	565,800 10.4	39,400 0.7	5,449,100 100.0

251. A key issue in the implementation of the restructuring objectives of the NEP is the pace at which the required changes can be brought about. The postulated decline in the share of the Malays in agriculture from 67.3% in 1975 to 61.4% in 1990 implies growth in agricultural employment of less than 1% per annum compared to the rate of job creation in the sector of about 1% per annum. It is to be noted that a large part of the increase in total employment in the sector will come from settlement on new public land development schemes. The promotion of rapid out-migration from the sector could therefore reduce the opportunities presented by these schemes for lifting poor households among the Malays and other indigenous people out of poverty in the short-term. In the immediate future, the only alternative to such employment would be urban-based jobs in secondary and tertiary industries at the lower levels of the occupational hierarchy for a major portion of those moving from the rural to the urban areas as they are now largely unskilled. In the implementation of the restructuring objectives of the NEP, it would thus appear to be necessary to bring about the attainment of the desired pattern of employment in progressive stages rather than uniformly over the next fifteen years.

252. A pragmatic approach is also dictated by the need to prepare the Malays and other indigenous people adequately for effective participation in commerce and industry. The manpower implications of the restructuring targets on the required growth of Malay employment by occupational levels in Peninsular Malaysia are illustrated in Table 4-15.

253. The projections imply that all races will benefit from the restructuring of the occupational pattern, with significant increases for the Malays in the modern sectors of the economy, where they are currently under-represented in the major occupational groups. In the manufacturing, construction, transport and commerce sectors, Malay employment in professional and technical, managerial, sales and production level occupations will be required to grow at rates higher than for the sector as a whole.

254. The implementation of education and training programmes by the Government to meet the vast requirements for trained manpower among the Malays and other indigenous people is already underway. Immediate production of the required numbers of skilled manpower cannot, however, be expected because of the long time required for human resource development, especially at the higher occupational levels. For this reason, the Government will adopt a flexible approach in the implementation of the restructuring objectives for the modern industrial sector.

255. While formal education and training programmes will lead to expansion in the supply of manpower, the opportunities available for acquiring skills through on-the-job training and other informal training methods will continue to play an important role. Taking into account the fact that most of the Malays and other indigenous people are presently concentrated in the less skilled occupations, opportunities for their advancement will need

to be expanded. This requires a joint effort by the Government and the private sector to provide on-the-job training in industry to upgrade their skills and to accelerate their mobility to higher levels of the job hierarchy.

Restructuring the ownership of share capital

256. Progressive reduction of existing imbalances in the ownership of assets and wealth in the country will require that Government policies focus on all financial as well as physical assets, including land, in all sectors of the economy. To this end, efforts will continue to be made to enhance the ownership of the Malays and other indigenous people and their use of land along lines which ensure productive development of this resource and to provide specific financial assistance to Malay and other indigenous entrepreneurs to gain access to the ownership of other productive assets. These efforts will make a sizeable impact on restructuring the ownership and management of productive assets in the economy. The key to the control of assets will, however, continue to be through ownership of share capital in the country. The Government will, therefore, ensure that adequate measures will continue to be taken to enable the Malays and other indigenous people to expand their ownership of such capital.

257. With the progress achieved under the SMP, Table 4-16 below indicates the magnitude of the effort required during the next fifteen years if the targets of share capital ownership are to be achieved by 1990. The stock of share capital in Peninsular Malaysia is estimated to have expanded by 13.2% per annum compared with the growth of GDP of 7.4% between 1970 and 1975. Share capital is projected to expand even more rapidly, relative to GDP, during the remaining years of the OPP as the country's financial structure becomes more modernized in the course of economic development. It is estimated, in fact, to grow by amounts ample enough to enable the restructuring objectives of the NEP to be realized while permitting, at the same time, the ownership of equity capital by all groups in the economy to grow. Indeed, if constraints to the acquisition of share capital by the Malays and other indigenous people can be removed, the restructuring of the projected volume of new corporate stock itself is expected to provide sufficient scope for total equity capital to be almost entirely restructured by 1990 in the proportions desired by the NEP. Individual companies will therefore not be required to redistribute their existing equity to any significant extent. This underlies the policy that there will not be compulsory divestment on the part of individual enterprises.

258. The ownership of equity capital on the part of Malay individuals and Malay interests in the corporate sector is targetted to grow by 25.8% per annum during the next fifteen years having risen by almost 44% per annum under the SMP from 2.4% of the total in 1970 to 7.8% in 1975. Growing almost twice as fast as the total stock of share capital, the achievement of the target implies that individual Malays and Malay interests will

TABLE 4-16

**PENINSULAR MALAYSIA: OWNERSHIP OF SHARE CAPITAL IN
LIMITED COMPANIES, 1970-90**

	1970 ²⁵		1975 ²⁶		1980 ²⁷		1990 ²⁷		Average annual growth rate (%) 1976-90
	\$ million ²⁸	%	\$ million	%	\$ million	%	\$ million	%	
Malays and Malay interests ..	125.6	2.4	768.1	7.8	3,284.3	16.0	24,009.7	30.0	25.8
<i>Malay individuals</i> ²⁹ ..	84.4	1.6	227.1	2.3	695.4	3.4	5,914.2	7.4	24.3
<i>Malay interests</i> ³⁰ ..	41.2	0.8	541.0	5.5	2,588.9	12.6	18,095.5	22.6	26.4
Other Malaysians ³¹ ..	1,826.5	34.3	3,687.3	37.3	8,290.5	40.4	32,012.9	40.0	15.5
Foreign ³² ..	3,377.1	63.3	5,434.7	54.9	8,952.2	43.6	24,009.7	30.0	10.4
Total private sector ³³ ..	5,329.2	100.0	9,890.1	100.0	20,527.0	100.0	80,032.3	100.0	15.0
Gross domestic product (in 1970 prices) ..	9,038.0		12,914.0		19,487.0		42,462.0		8.3

²⁵ Actual.²⁶ Estimated.²⁷ Targets.²⁸ Totals for 1970 differ from those presented in the SMP and its Mid-Term Review because of the exclusion of the Government, the re-classification of the trust agencies as Malay interests and the re-allocation of most of the shares previously categorized as "held by other companies" to the shareholders of these companies.²⁹ Includes institutions channelling private Malay funds such as *Amanah Saham MARA* and *Lembaga Urusan dan Tabung Haji*.³⁰ Shares considered to be held in trust by agencies such as MARA (excluding Amanah Saham MARA), PERNAS, UDA, SEDCs, Bank *Bu niputra* and Bank *Pembangunan*.³¹ Includes nominee companies and third-company minority holdings.³² Non-residents.³³ Excludes the Government and its agencies except trust agencies.

have to acquire about one-third of the total increment of equity capital during the period or over \$23 billion as shown in Table 4-17, in addition to the reserved shares which have not yet been taken up.

TABLE 4-17

PENINSULAR MALAYSIA: GROWTH OF SHARE CAPITAL
IN LIMITED COMPANIES, 1970-90
(\$ million)

	1970 ³⁴	1975 ³⁵	1990 ³⁶
Share capital in limited companies ³⁷	5,329.2	9,890.1	80,032.3
Net new shares	—	4,560.9	70,142.2
Net share acquisition by Malay individuals ³⁸	—	142.6	5,687.1
Percentage of all new shares	—	3.1	8.1
Net share acquisition by Malay interests ³⁹	—	499.8	17,554.5
Percentage of all new shares	—	11.0	25.0
Net share acquisition by other Malaysians	—	1,860.8	28,325.6
Percentage of all new shares	—	40.8	40.4
Net share acquisition by foreigners ⁴⁰	—	2,057.7	18,575.0
Percentage of all new shares	—	45.1	26.5

³⁴ Actual.

³⁵ Estimated.

³⁶ Target.

³⁷ Excludes Government except trust agencies.

³⁸ Includes institutions channelling private Malay funds.

³⁹ Shares considered to be held in trust by Government agencies.

⁴⁰ Non-residents.

259. Individual Malays will have a vital role to play in increasing Malay savings to the levels required for attaining the targets of the OPP. The ownership of equity capital on the part of individual Malays is estimated to increase by 24.3% per annum during 1976-90 compared with 21.9% during 1971-75 as average incomes among them are estimated to grow strongly as a result of the Government's poverty redressal and restructuring programmes. In proportion to the total, the share of Malay individuals is projected to increase from 1.6% in 1970 and 2.3% in 1975 to 7.4% by 1990. This would primarily require special efforts among the Malays to step up their savings rate as incomes increase so as to mobilize the requisite savings to acquire equity in the corporate sector. Existing and new institutions have a fundamental role to play in this regard. The performance of existing financial institutions including the co-operatives will be kept under review to improve their effectiveness. In addition, the Government will set up a *Bumiputra Investment Fund* to acquire shares reserved for the Malays and other indigenous people.

260. The remaining amounts of capital stock which will have to be acquired for the Malays and other indigenous people will have to come from public sector agencies set up to create and/or purchase stock in trust for eventual sale to them. The agencies include the *Majlis Amanah Rakyat* (MARA), the *Perbadanan Nasional* (PERNAS) and its subsidiaries, *Bank Bumiputra*, *Bank Pembangunan*, the Urban Development Authority (UDA) and the State Economic Development Corporations (SEDCs) and their subsidiaries. The aim is that as incomes and savings among the Malays and other indigenous people increase and as the enterprises set up by these agencies show sustained profitability, it will be possible for the share capital so accumulated to be sold to individuals among the Malays and other indigenous people.

261. The accumulation of corporate stock by these agencies will continue to be effected through the creation and expansion of subsidiary enterprises either wholly-owned or in joint-venture with other private interests, as well as the acquisition of stock in existing enterprises in the private sector on commercial terms. The results so far have been encouraging. Under the SMP, the equity owned and held in trust by these public bodies expanded by almost 70% per annum. During the period 1976-90, it will have to grow by about 30% per annum so that by 1990 the Malays and other indigenous people will account for at least 30% of total private sector equity capital. The financial resources entailed will be substantial. These agencies will have to acquire and hold in trust net new shares of almost \$18 billion over the 15-year period compared with current holdings of \$541 million. This again underlies the need for savings to be stepped up by individual Malays and other indigenous people.

262. No constraints are expected on the growth of corporate ownership on the part of other Malaysians. Their ownership is estimated to have increased by 15.1% per annum under the SMP. It is projected to grow by 15.5% per annum between 1975 and 1990 and to account for 40.0% of the total stock of equity capital by the end of the OPP period. Although targetted to grow less rapidly than the ownership of the Malays and other indigenous people, considerable opportunities will nevertheless exist for other Malaysians to expand their holdings of equity capital. Out of the increment in expanded stock, other Malaysians could account for as much as 40% of the increase. In the blend of strategies to reach the target of at least 30% for the Malays and other indigenous people and 40% for other Malaysians, one option that could be adopted is for workers to be encouraged to take up share capital in the enterprises in which they are employed.

263. The share in the ownership of equity by foreign interests is targetted to decline from 63.3% in 1970 and about 55% in 1975 to 30.0% by 1990. However, the ownership of corporate stock by the foreign sector would still increase by 10.4% per annum in absolute terms over the next fifteen years compared with 10.0% per annum during 1971-75.

264. It is important to view the role of the foreign corporate sector in perspective. The Government will continue to ensure that foreign investment is attracted into the country for the significant contributions it can make to income and employment creation. It seeks, in addition, the skills and technology which accompany foreign investment. This is an important adjunct to Malaysia's own efforts in the development and modernization of the economy. The widening access to international markets that foreign entrepreneurship provides for the country's exports goods is another important contribution that Malaysia will continue to value.

265. The tasks of restructuring the ownership of corporate stock and promoting foreign investment at the same time are *not* conflicting objectives. They are conflicting objectives only in situations of stagnation and slow economic growth. With rapid economic growth as envisaged under the NEP, it will be feasible, as demonstrated in the projections of the OPP, to substantially increase in absolute terms the inflow of foreign private capital. Simultaneously, this would enable the resources generated by rapid economic growth to be used to enlarge the absolute as well as relative shares of nationals in the economy.

VII. CONCLUSION

266. The analyses which underpin the long-term projections of the OPP strongly suggest that the major targets of the NEP are capable of attainment by 1990. The growth and distribution targets of the SMP—the first phase in the implementation of the NEP—have been substantially attained. The prospects are bright for continued advances to be made under the TMP as the nation moves towards the half-way point of the OPP. It has been the objective of this Chapter to elucidate the nature and the scope of the policies and programmes which will be required if progress under the SMP is to be accelerated towards the achievement of the goals of the NEP.

267. The longer-term prospects of the country are such that an ample enough scale of opportunities will be created by economic growth to enable the Government to channel a significant part of the resources created to the tasks of poverty redressal and socio-economic reconstruction while enabling, at the same time, the currently more advantaged in society to continue to progress. No group in the country need, therefore, experience any loss or feel any sense of deprivation.

268. To be sure, the mobilization of the investible resources required by the Government to finance its programmes for social justice will continue to demand adroitness in the design and execution of fiscal and monetary policy, if private enterprise is to be given the opportunity to complement the efforts of the Government in realizing the nation's goals under the NEP. Given the forecasted expansion of the economy, this is a task that Malaysia is well-placed to accomplish effectively.

269. The greater challenge will be that of producing the skilled manpower in the quantum and at the pace necessary for the achievement of Malaysia's targets in regard to agricultural modernization and industrial development. These are targets which are essential to the eradication of poverty and the reduction of current economic imbalances between the various communities and States which make up the country. While much headway has been made under the SMP in expanding the supply of skilled manpower, particularly among the Malays and other indigenous people, more intensive effort is required in view of the long time involved in human resource development.

270. Above all, the successful implementation of the NEP will call for the sustained cultivation of a unity of purpose among Malaysia's multi-racial people. Change, by its very nature—particularly socio-economic change of the magnitude envisaged by the NEP—is always fertile ground for breeding suspicion and distrust. Lest it be exploited to the detriment of the ultimate well-being of the nation as a whole, it is imperative that Malaysians be watchful of those endeavours which will continue to be made by anti-national elements to divert their energies and effort from the essential purposes of nation building as embodied in the NEP. The Government for its part will provide the overall framework of national unity and security necessary for the promotion of constructive change. Individual Malaysians on their part must take to the NEP for what it is—an opportunity given only to a pioneering people to create a united and socially just nation—a nation which Malaysians would be proud to serve and defend with their lives.