

Bab 1 – Dasar Pembangunan Baru

Introduction

1.01. The First Outline Perspective Plan (OPPI), covering the period 1971- 90, has come to an end. Under it, the Government has implemented four development plans from the Second Malaysia Plan (1971-75) to the Fifth Malaysia Plan (1986-90). These development plans have been implemented within the framework of the New Economic Policy (NEP) which was introduced by the Government in 1970, after the racial riots in 1969, to promote growth with equity with the objective of fostering national unity among the various races. 1.02. The Second Outline Perspective Plan (OPP2), covering the period 1991- 2000, has been formulated based on a policy which will be called the New Development Policy (NDP). The NDP will build upon the achievements during the OPPI to accelerate the process of eradicating poverty and restructuring society so as to correct social and economic imbalances. It provides a broader framework for achieving these socioeconomic objectives in the next ten years within the context of a rapidly expanding economy. In formulating the NDP, the Government has considered the views and proposals from various groups including the report of the National Economic Consultative Council on the post-1990 policy for the country.

1.03. National unity remains the ultimate goal of socioeconomic development because a united society is fundamental to the promotion of social and political stability and sustained development. Development policies and strategies under the NDP take cognizance of the diversities of Malaysians - ethnic, linguistic, cultural and religious as well as regional - so that a harmonious, tolerant and dynamic society could be progressively created. Aside from socio-political and cultural considerations, continued social and political stability as well as the efficient management of the economy are factors crucial to the realization of its goals and objectives.

1.04. The NDP will set the pace to enable Malaysia to become a fully developed nation by the year 2020 not only economically but also in all other aspects. It has to be fully developed in terms of national unity and social cohesion, in terms of its economy, in terms of social justice, political stability, system of government, quality of life, social and spiritual values, national pride and confidence. The Government

envisions that by the year 2020, Malaysia will be a united nation, with a confident Malaysian society, infused by strong moral and ethical values, living in a society that is democratic, liberal and tolerant, caring, economically just and equitable, progressive and prosperous, and in full possession of an economy that is competitive, dynamic, robust, resilient and socially just.

1.05. While the NDP maintains the basic strategies of the NEP, its new dimensions will be to:

(a) shift the focus of the anti-poverty strategy towards eradication of hardcore poverty while at the same time reducing relative poverty;

(b) focus on employment and the rapid development of an active Bumiputera Commercial and Industrial Community (BCIC) as a more effective strategy to increase the meaningful participation of Bumiputera in the modern sectors of the economy;

(c) rely more on the private sector to be involved in the restructuring objective by creating greater opportunities for its growth; and

(d) focus on human resource development as a fundamental requirement for achieving the objectives of growth and distribution.

1.06. The efforts under the NDP to correct economic imbalances will focus on the expansion of capacities to generate income and create wealth as well as to provide the skills for the Bumiputera to effectively retain and manage their wealth. This strategy represents a major shift from the previous emphasis on associating equity ownership with wealth. In line with this new emphasis and in order to increase Bumiputera participation in the commercial and industrial sectors of the economy, more attention will be given towards strengthening the capacities of the Bumiputera to effectively manage, operate and own businesses rather than on achieving specific numerical targets of equity restructuring and ownership. Thus, while efforts will continue to be made under the NDP to increase Bumiputera ownership, no specific time frame has been set for the attainment of the equity restructuring target of at least 30 per cent. However, by the year 2000, a review of the achievement of this target will be made.

1.07. The OPP2 is formulated with a shorter time frame of ten years, half that of the OPP1. This shorter time frame will reduce the risks of setting unattainable goals and the uncertainties of making development projections on which these goals are dependent upon.

Development Thrust For The 1990s

1.08. The objective of the NDP during the period of the OPP2 is to attain a balanced development in order to establish a more united and just society. Building upon the on-going thrust of the NEP in eradicating poverty and restructuring society, the NDP will encompass the following critical aspects:

- Striking an optimum balance between the goals of economic growth and equity;
- Ensuring a balanced development of the major sectors of the economy so as to increase their mutual complementarities to optimize growth;
- Reducing and ultimately eliminating the social and economic inequalities and imbalances in the country to promote a fair and more equitable sharing of the benefits of economic growth by all Malaysians;
- Promoting and strengthening national integration by reducing the wide disparities in economic development between states and between the urban and rural areas in the country;
- Developing a progressive society in which all citizens enjoy greater material welfare, while simultaneously imbued with positive social and spiritual values, and an increased sense of national pride and consciousness;
- Promoting human resource development including creating a productive and disciplined labour force and developing the necessary skills
- To meet the challenges in industrial development through a culture of merit and excellence without jeopardising the restructuring objectives;
- Making science and technology an integral component of socioeconomic planning and development, which entails building competence in strategic and knowledge-based technologies, and promoting a science and technology culture in the process of building a modern industrial economy; and

- Ensuring that in the pursuit of economic development, adequate attention will be given to the protection of the environment and ecology so.

1.09. The development strategy outlined above is premised on the following considerations. First, the principle of growth with equity is fundamental to ensure the realization of a fair and equitable distribution of national wealth. Second, a balanced societal development is conducive to the maintenance of social and political stability. Third, the nurturing and moulding of a Malaysian society with high moral values and ethics as well as positive attitudes are fundamental towards the creation of a responsible, resilient, progressive and caring society. Fourth, prudent management of natural resources and the ecology as well as the preservation of natural beauty and clean environment are important to ensure sustainable development for the present and future generations. The balanced development of the economy is essential to ensure stable growth, minimize social conflicts, promote racial harmony and enhance national unity.

1.10. The experience of the last twenty years has shown that growth combined with effective government policies for poverty eradication and restructuring has contributed significantly towards the substantial improvement in income distribution and the reduction of ethnic imbalances in the country. It will therefore be important to strengthen further the growth process, as a necessary condition, to create the opportunities and generate the resources for enabling the distributional objectives to be realized in a meaningful way.

1.11. Although the Malaysian economy has been considerably strengthened and its prospects for growth and distribution are bright, the possibilities of the economy becoming affected by external shocks and instabilities cannot be discounted. With the globalization of the world economy and the speed with which changes take place in the international environment, Malaysia must increase further its efforts to make the economy more resilient in meeting the external challenges and uncertainties. Further, with increasing competition around the world and from neighbouring countries for foreign capital and investment, there is a need to maintain a conducive climate to attract investment into the country. Economic policies under the NDP will therefore be directed towards strengthening the domestic sources of growth by maintaining macroeconomic stability, promoting private sector efficiency and

productivity, encouraging high levels of private investment, -diversifying the industrial base and expanding exports.

1.12. Sustained growth will require not only high levels of investment in physical capital but also higher quality of human resource inputs from labour, management and entrepreneurship. Human resource development must therefore be accelerated to enhance the prospects for growth. With natural resources becoming less plentiful and labour becoming more scarce, the contribution to growth must increasingly come from improvements in productivity and efficiency. Human resource development plays a vital role in raising productivity and providing the professional, management and technical skills needed for the growth of the economy particularly in the process of transformation towards becoming an industrialized nation. Further, it serves as a powerful tool to improve income distribution by enhancing the opportunities for the lower income groups to have access to the modern sectors of the economy as well as providing for mobility into higher levels of occupation. Therefore, strong and sound human resource development policies and programmes are fundamental requirements for the success of the NDP.

1.13. In line with the objective of growth with equity under the NDP, the Government will continue to play an effective role in the process of poverty eradication and restructuring of society so that the benefits of growth are enjoyed by all Malaysians. Taking into account the progress that has already been achieved so far, this role will be directed at the more critical areas of socioeconomic imbalances in order to realize more sustainable results.

The Implimentation Of The Nep

1.14. The objectives of the NEP were to achieve national integration and unity and these were formulated within the context of a two-pronged strategy to: (a) reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race; and (b) accelerate the process of restructuring Malaysian society to correct economic imbalances so as to reduce and eventually eliminate the identification of race with economic function. This process of restructuring society involves the modernization of rural life, a rapid and balanced growth of urban activities and the creation of a viable BCIC in all categories

of enterprises and at all levels of operation so that they will become real-and effective partners in all aspects of the economic life of the nation.

1.15. The NEP and its objectives were based on the principles of national unity as envisaged in the Federal Constitution which were further elaborated and articulated in the Rukunegara - the national ideology which was adopted by consensus in the National Consultative Council, a body comprising representatives from various groups set up after the 1969 racial riots to deliberate on the problems of national unity and the measures which were required to build a more united nation. The Rukunegara, which declares the shared national objectives and values, confirms the fundamental principles to guide the citizens and the nation towards the task of creating a progressive, economically equitable, socially just, liberal and united Malaysian society.

1.16. The NEP recognized that the distributional objectives that it sought to achieve must be undertaken within the context of a rapidly growing economy which offers increasing opportunities for all Malaysians. This was considered essential for ensuring that the distribution of income, employment and ownership would be implemented smoothly, without making any particular group feel a sense of loss or deprivation.

1.17. The NEP was an exercise in social engineering designed to reduce the socioeconomic imbalances among ethnic groups and across regions. Many countries, including the centrally planned ones, have failed to achieve an equitable distribution of the benefits of development and improve the standard of living of their people. Malaysia is unique in that it is one of the very few countries which has, within a span of twenty years, succeeded remarkably well not only in achieving growth but also in addressing more effectively the problems of poverty and economic imbalances. This is contrary to the belief in some quarters that the implementation of the NEP had retarded growth in the country. The NEP has in fact provided the environment of peace and stability to enable the Government to concentrate on the business of developing the nation to what it is today. In the process, the incidence of poverty as well as the sharp inequalities in income, employment and ownership among the communities have been reduced. These achievements in terms of growth and distribution have helped to bring the various communities closer to one another.

1.18. Nevertheless, Malaysia has still a long way to go towards achieving the full objectives of eradicating poverty and reducing economic imbalances in the country. This can be attributed to a number of weaknesses and shortfalls in the implementation of the NEP as well as the failure among the poor to take full advantage of the opportunities created. While the attitudes and value system of the Bumiputera have undergone positive changes during the last twenty years, there are still some sections of Bumiputera entrepreneurs who are behind in terms of innovativeness, good business practices and perseverance. The business culture of entrepreneurship and risk-taking has yet to be fully ingrained among the Bumiputera business community. In addition, there were severe economic problems in the mid-eighties which affected the pace of implementing the NEP.

Poverty and Income Distribution

1.19. Absolute poverty is diminishing in Malaysia and the inequalities in income are also narrowing.

1.20. The incidence of poverty in Peninsular Malaysia declined from 49.3 per cent in 1970 to 15 per cent by the end of 1990. Reflecting this substantial progress, the mean monthly household income for the bottom 40 per cent of households in Peninsular Malaysia has also increased from \$76 in 1970 to \$421 in 1990. Comparable figures for Sabah and Sarawak also showed an increase from \$68 to \$390 and \$74 to \$436, respectively. The mean monthly household income in Peninsular Malaysia has increased significantly from \$264 in 1970 to \$1,163 in 1990. For Sabah and Sarawak, the mean income has also increased between 1976 and 1990, from \$513 to \$1,148 in the case of Sabah and from \$427 to \$1,208 in the case of Sarawak.

1.21. The inequalities of income have been gradually reduced by rising levels of rural incomes and the expanding opportunities for the rural population, including female workers, to shift from traditional activities to modern sector employment in agriculture, manufacturing and Government services. Further, the improvements in the quality of services provided to the rural areas have also contributed towards raising the capacity to earn higher incomes. Rural incomes have in fact increased at a faster rate than urban incomes, thus contributing towards the improvement in the per capita

distribution of income in the country as shown by the reduction of the Gini coefficient from 0.513 in 1970 to 0.445 in 1990.

1.22. With this achievement, the number of poor households in Malaysia has been considerably reduced from about 1,100,000 households in 1970 to about 619,400 households in 1990, despite the increase in the number of total households from 2,099,000 to 3,614,600. The majority of the poor are from the Malay and other indigenous groups. Within the Chinese, Indian and other communities, there are also problems of poverty. In terms of the regional dimension, poverty levels in the states of Kedah, Perak, Kelantan, Terengganu, Sabah and Sarawak are significantly higher than the national average. In the case of Sabah, the high incidence of poverty is partly due to the inclusion of poor temporary immigrant households in the estimate.

1.23. While absolute poverty has been considerably reduced, relative poverty in terms of income differentials is expected to be a bigger issue in the future. When groups or sectors within a community feel that they are much worse off economically than others, even if in reality their situation has improved in absolute terms, it is quite likely that they will feel a sense of deprivation and frustration.

1.24. Many of those who belong to the poorest groups in the remote and traditional kampung and settlements, in plantations and villages, and among the urban poor, continue to feel that they have not been given adequate attention in the Government's development efforts. Thus, although there has been an improvement in levels of income and standards of living for the country as a whole, there are groups within the society, especially those in the states of Kedah, Perak, Kelantan, Sabah and Sarawak, who feel that they have been left behind with limited access to basic services and amenities.

1.25. A major problem in the rural areas, especially in the remote kampung and in most estates, is the lack of well equipped schools and suitably trained teachers and a more conducive environment for learning. These circumstances adversely affect the quality of education resulting in high drop-out rates in schools, hence lessening opportunities for the poor to improve their life through education.

Unemployment

1.26. Up to the mid-eighties, significant progress was made to increase employment opportunities especially in the modern sectors of the economy. Employment grew at a rate of 3.6 per cent per annum during the seventies, faster than the growth of the labour force, thus reducing unemployment substantially to 4.6 per cent by 1982. This was a major improvement compared to the situation in 1970 when unemployment stood at a high level of 7.4 per cent.

1.27. However, unemployment in the eighties started to rise again following the recession in 1985-86, and peaked at 8.3 per cent in 1986. With the economic recovery, the situation has improved considerably resulting in unemployment falling to 6 per cent in 1990. Most of the unemployed in the country are recent school leavers and young new entrants to the labour force who, with better education, tend to be more selective in their choice of jobs and less willing to accept certain jobs such as those in the plantation sector and in the construction industry. This unemployment estimate of 6 per cent is high because it includes those who are not actively looking for work and they comprise nearly half of the total unemployed. Therefore, if this category of unemployed is excluded, the incidence of unemployment would have been much smaller.

1.28. With continuing economic growth and the tightening of the labour market, shortages of workers have emerged in certain sectors and locations in the country. While the education system has expanded considerably at all levels to increase the output of trained manpower, the expectations of the job seekers may not match with the requirements of the employers. This mismatch between the supply and demand for labour is due to a combination of factors relating to wage levels and the system of wage determination; the skills and quality of the labour force; the mobility of labour; the working conditions, especially in the agriculture sector; and the lack of effective labour market information.

Restructuring of Employment

1.29. A major objective of the NEP was the restructuring of the employment pattern so as to reflect more closely the racial composition of the country. With the structural changes in the economy and the emergence of manufacturing, construction and services as the major growth sectors, there has been a large inflow of Bumiputera into the urban sectors of the economy. The major factors that have contributed to this include the expanded educational facilities, a more open and integrated labour market and the positive impact of Government's guidelines on employment restructuring.

1.30. Bumiputera now account for 50.3 per cent of the total employment in manufacturing. The large increase in the share of Bumiputera employment has, however, been mainly in the lower levels of occupation. The Bumiputera are still under-represented at the supervisory and managerial levels. Nevertheless, in many professions, the percentage of the Bumiputera has increased, thus making these professions more multi-ethnic compared to the situation in 1970. At the same time, the major urban centres like Kuala Lumpur and Penang have also become more multi-racial in character.

1.31. On the other hand, the percentage of non-Bumiputera in the agriculture sector, in the land settlement schemes and in certain categories of the civil and public services has not changed much over the years and has remained low. While Bumiputera account for the largest share of public sector employment and predominate in the uniformed services, the clerical and secretarial services and the teaching profession, the non-Bumiputera are well represented in the professional and technical categories, particularly in the medical, engineering and accountancy services. In the light of the above, there is an urgent need to expand the supply of Bumiputera professional and technical manpower. However, in the case of the Indians, their share in some of the professions is below their population ratio. In those professions where they are well represented, the increase in absolute terms has been much slower than that for the Bumiputera and the Chinese. As a result, the share of Indian employment in these professions has declined continuously since 1970.

Equity Restructuring

1.32. A key element under the second prong strategy of the NEP was the restructuring of equity ownership in the corporate sector, with the target that by the end of 1990, the Bumiputera share would be increased to at least 30 per cent and that of the other Malaysians increased to 40 per cent. The equity holdings of other Malaysians has increased to 46.2 per cent, exceeding the target set for them. Within this group, the Chinese have increased their share to 44.9 per cent, the Indians have remained constant at 1 per cent and others 0.3 per cent. In the case of foreigners, their equity ownership has declined from 63.3 per cent in 1970 to 25.1 per cent in 1990, thus more than fulfilling the NEP target of reducing their control of the economy. On the other hand, the equity ownership of the Bumiputera has only increased to 20.3 per cent, far short of the targeted level of 30 per cent. The share of equity registered under nominee companies has increased to 8.4 per cent.

1.33. Although below target, the increase in the equity ownership of the Bumiputera is a significant achievement. In absolute value, the equity ownership of the Bumiputera increased from \$125.6 million in 1970 to \$22,298 million in 1990. This represents a growth of 29.6 per cent per annum which is substantially higher than the growth of 16.3 per cent per annum in the share capital for the corporate sector as a whole.

1.34. The increase of Bumiputera equity was attributable mainly to the holdings acquired by the trust agencies and other related institutions. The actual level of ownership held by Bumiputera as direct investors was only 8.2 per cent by 1990. Since the recession in the mid-eighties, the growth of Bumiputera equity ownership has slowed down due to their limited resources, the cutback in the activities of the trust agencies and the more liberal policy guidelines on equity ownership. This indicates that the objective of equity restructuring requires more time to be achieved. Creation of Bumiputera Commercial and Industrial Community.

1.35. The objective of creating a BCIC was supported by the Government through the allocation of contracts, quotas and licences to Bumiputera businesses and joint ventures. In addition, Government agencies such as Majlis Amanah Rakyat (MARA), Perbadanan Nasional Berhad (PERNAS) and the State Economic Development

Corporations (SEDCS) were actively involved in setting up commercial enterprises to assist the Bumiputera. Other efforts included the provision of education and training scholarships, credit facilities and advisory assistance. The result of all these measures has led to an increase in the number of establishments owned and operated by Bumiputera and the creation of a new pool of Bumiputera entrepreneurs, especially among the Malays. However, relative to the other communities, the Bumiputera share is still small. In many business and commercial sectors, the participation of the Bumiputera is still well below that of the non-Bumiputera.

1.36. The participation of Bumiputera entrepreneurs in business activities such as contracting, manufacturing, printing, trading, insurance and travel agencies continues to be highly dependent on public sector support. Due to their lack of capital and expertise, they have had limited success in entering the domestic private sector and the export market through their own efforts. Many Bumiputera enterprises experienced major financial difficulties during the recent recession.

Role of Public Sector

1.37. During the OPPI period, the role and size of the public sector in the economy increased rapidly. With the emergence of resource constraints in the mid-eighties and high levels of external borrowings, steps were taken to consolidate public expenditures so as to reduce fiscal deficits as well as strengthen the economy. This resulted in slowing down the growth of the public sector.

1.38. A major factor accounting for the rapid increases in public sector spending in the seventies and early eighties was the creation of a large number of statutory bodies and non-financial public enterprises. Their expanding activities in the economy and growing competition with the private sector for resources and markets gave rise to concerns about the efficiency of the economy and the financial burden of subsidizing the large number of Government-owned enterprises operating with losses in the industrial and commercial sectors of the economy. As part of the effort to reduce public expenditure and encourage more efficiency in the economy, the Government adopted a policy of privatization. Under this policy, a number of Government services and enterprises were privatized.

1.39. With the reduction of the role of the public sector, the growth of the economy depended on the private sector to pull it out of the recession in 1985- 1986. Various measures were, therefore, introduced to stimulate private sector activity and to enable the economy to become more efficient and competitive, especially in exports. Apart from the adjustments in fiscal, monetary and exchange rate policies, steps were taken to liberalize and deregulate the economy so as to provide incentives for local and foreign investors to expand their activities in the country. The policy adjustments, especially those under the NEP relating to the rules and regulations on equity ownership and industrial licencing, together with the revival of the export sector, contributed towards enhancing the attractiveness of the investment climate and accelerating the economic recovery from 1987 onwards.

New Development Policy

1.40. The NDP will be implemented based on the principle of growth with equity. It will take into account the past experiences in implementing the NEP as well as the issues and concerns which have emerged from these experiences. Despite the progress made under the NEP, further efforts are necessary to alleviate poverty and eliminate economic imbalances among communities and regions in the context of balanced development and social justice so as to achieve the overriding goal of national unity.

1.41. Uneven development is characteristic of most market economies. Aside from inequalities in income and levels of living, imbalances in access to employment, education and other opportunities may cause social conflicts and tension. Even in a homogeneous society, inequitable distribution of the benefits of economic and social development has caused social strife and tension. The possibilities for such social conflicts are even greater in a multi-ethnic society like Malaysia if socioeconomic imbalances among ethnic groups continue to persist. Such imbalances can easily find expression in ethnic conflicts and tension which can lead to social and political instability. Although the NEP has been successful in reducing income inequalities and economic imbalances, these problems remain major challenges facing the nation today.

1.42. The NDP objectives of building a united nation will continue to be based on the principles and guidelines provided under the Constitution and the Rukunegara. In line with this, the NDP has been formulated to meet the expectations and aspirations of all Malaysians so that no one feels any sense of loss or deprivation in the implementation of its programmes. To be effective as an instrument for enhancing national unity, it must be accepted by all Malaysians in the spirit of the Rukunegara, with all sections of society fully dedicated and committed to the task of nation building.

1.43. The NDP will continue with the efforts to correct economic imbalances to create a more just, united, peaceful and prosperous society. To this end, more effective efforts will be made to reduce poverty, irrespective of race, as well as to restructure society so as to achieve an equitable distribution in the context of a healthy and sustained economic growth.

1.44. It is projected that the poverty rate will decline from 17.1 per cent in 1990 to 7.2 per cent by the year 2000. This progress will largely come from the rapid growth of employment in the non-agricultural sectors and the declining dependence of the rural labour force on traditional sources of income. Unemployment in the country is expected to fall to 4 per cent by the year 2000, and with the tightening of the labour market, productivity and wages will increase to enable income levels and standards of living to progressively improve.

1.45. As the overall poverty situation in the country is improving rapidly, poverty eradication efforts will now focus more the hardcore poor. The hardcore poor are defined as those households receiving income less than half of the poverty line income and whose living conditions are extremely low. These households, for various reasons, are not able to take advantage of the growth opportunities in order to escape from the clutches of poverty. On the basis of the data from the Household Income Survey, there were some 143,100 of such households in 1990 which were mostly scattered as pockets of hardcore poverty in the remote rural areas. Using this definition, the hardcore poor households represented about 4 per cent of total households in the country. However, it should be pointed out that the poverty level in this country is low by international standards and is not comparable with the extreme forms of poverty found in some developing countries. Nevertheless, the Government

will continue to meet the needs of these unfortunate households by implementing special programmes, including direct transfers, to enable them to have the basic necessities of life.

1.46. A more important issue in the nineties will be relative poverty. Reducing relative poverty is not merely a matter of raising productivity and real incomes. It also requires improving the access of the lower income groups especially those in the deprived areas and less developed states to have better social services and income opportunities. Further, the lower income groups are the most vulnerable to unfavourable conditions such as inflation, flooding and environmental degradation. Thus, the provision of better services and amenities to help and protect them will be given more attention so as to reduce income gaps and enhance their standard of living relative to those in the higher income groups.

1.47. The concept of relative poverty is also related to regional disparities in economic development. The less developed states in Malaysia are still far behind the other states in terms of basic infrastructure and social services despite the past achievements made in reducing regional imbalances. Greater efforts will be made to correct regional imbalances so as to reduce income inequalities between states in the country.

1.48. The implementation of the NDP to reduce poverty will take into account the needs of all communities. Thus, while it is recognized that the majority of the poor in the country are Bumiputera, there are also non-Bumiputera who live well below the poverty line in both the rural and urban areas. Their main requirement is to have access to economic resources, especially land and credit, to enable them to generate and supplement their own incomes and to be self-sufficient. The level and quality of social services in some of their villages, in plantations and estates need also to be improved so as to raise their standard of living. Furthermore, their expectation of greater access to public sector, employment, educational opportunities and participation in land schemes will be considered together with the progress made by the Bumiputera in the private sector.

1.49. Although all communities have progressed since 1970, the socioeconomic position of certain groups within the Bumiputera community, such as the Orang Asli

and the indigenous groups in Sabah and Sarawak, and the Indians within the non-Bumiputera community have lagged behind. The progress achieved by these groups has not been in tandem with the achievements of the other communities. In the implementation of the NDP, the needs of these groups will be given due attention to enable them to benefit equitably from the growth of the economy and the implementation of the development programmes.

1.50. Another issue is the need to further reduce urban poverty and improve the quality of urban living. As the country becomes more urbanized and industrialized, it is anticipated that the inflow of the rural population into the urban areas will put pressure on housing, social amenities and physical facilities as well as employment and income earning opportunities for urban dwellers, resulting in the worsening of existing urban poverty. The capacity of the urban centres to cater for the needs of urban dwellers will have to be enhanced, more employment opportunities created and a reasonable level of services and amenities provided to urban dwellers so that they enjoy a healthy and environmentally clean urban living.

1.51. The restructuring strategy under the NDP, while continuing to pay attention to employment and equity restructuring, will focus on measures towards the development of a BCIC as a more effective strategy to increase meaningful Bumiputera participation in, and control of, the corporate and noncorporate sectors of the economy. This is essential because past efforts aimed at creating a BCIC have met with the least success. Equity ownership alone will have little impact on promoting effective Bumiputera participation in the economy if the newly acquired wealth is not retained and enlarged and if they have limited experiences in business operation. Therefore, it is essential to increase opportunities for Bumiputera to own and operate their businesses so that they can gain the experience to acquire wealth and retain it with minimal support from the Government. Towards this end, training in the area of management of wealth and in business ethics will be given strong emphasis. Further, the role of the public enterprises and trust agencies will be geared towards providing effective support for the development of Bumiputera businesses. In addition, the role of Permodalan Nasional Berhad (PNB) will be strengthened to promote Bumiputera entrepreneurial development.

1.52. Although the economic position of the Bumiputera has improved considerably since 1970, the system of quotas, licences and other special assistance which has been implemented to help them especially in expanding their participation in the industrial, business and commercial sectors of the economy, will continue to be necessary in the nineties until the economic imbalances are corrected. However, the implementation of this system will be improved to ensure that only Bumiputera with potential, commitment and good track records will be given assistance so that the objectives of creating a viable and resilient BCIC under the NDP are achieved. At the same time, there are groups within the Bumiputera community who are new in business and do not have the necessary track record. Consideration will also be given to them on the basis of their potential to succeed.

1.53. The implementation of programmes to promote the participation of Bumiputera in the commercial and industrial sectors of the economy will take into consideration the new concerns which have arisen in the process of implementing the NEP in the last twenty years and address them in the light of the need to develop a resilient society and a more efficient economy.

1.54. A major concern is that while there has been overall progress in reducing income inequalities among all income groups, income disparities within the Bumiputera community are higher than among other ethnic groups. This suggests that existing programmes need to be improved to ensure that the benefits are more equitably shared and to give priority on the basis of need, capacity, capability and commitment to productively contribute to meeting national needs. On the other hand, the successful and those with potentials should be encouraged to be self-reliant and competitive in the economy. This strategy will contribute towards developing and expanding the pool of Bumiputera executives and entrepreneurs in commerce and industry.

1.55. A second area of concern is that while the NEP has created a new pool of Bumiputera managers and businessmen, there have been numerous failures among Bumiputera businesses. In the efforts to strengthen the Bumiputera business community through training, credit and marketing facilities, there is a need to make them more self-reliant and less dependent on the Government. The development of Bumiputera managers and entrepreneurs will also emphasize that the route to

business success is often from the bottom. Thus, training of potential Bumiputera businessmen as apprentices in skilled jobs and in the operation and management of small businesses or as active partners in joint-venture enterprises with non-Bumiputera will be encouraged as an important preparatory step towards achieving business success.

1.56. A third area of concern is the employment prospects for Bumiputera in the urban and modern sectors. It is projected that an increasingly higher proportion of the labour force seeking jobs in the industrial and commercial sectors will come from the rural areas, who are predominantly Bumiputera. Because of the increasing migration of Bumiputera into the urban sector and because of the lack of employable skills among them, they may be pushed into lower level jobs. Thus, Government efforts to accelerate the pace of restructuring the employment pattern should be accompanied by strengthening human resource development efforts to ensure that the Bumiputera are better equipped for higher level occupations in the modern sector.

1.57. The process of employment restructuring is expected to show further progress during the OPP2 period as a result of growth and the expanding demand for labour in the economy. With the expansion of educational opportunities for the Bumiputera and with the labour market becoming more integrated, the prospects for Bumiputera employment in the modern sectors of the economy can be expected to improve further. In view of the greater capacity of the Bumiputera to respond to job requirements in the labour market, the Government's role in restructuring the employment pattern will therefore focus more on the higher level occupations and in the larger companies in the corporate sector, especially in the commercial, industrial and services sectors of the economy.

1.58. The restructuring of equity capital in the corporate sector will continue to be implemented under the NDP so as to increase the share of the Bumiputera in line with the original target of the NEP to achieve at least 30 per cent in their ownership, control and management of the modern sectors of the economy. The Government, however, recognizes that this target needs to be given time to be achieved as it involves the mobilization of a large amount of savings among the Bumiputera and requires the availability of Bumiputera entrepreneurs to effectively participate in the modern sectors of the economy.

1.59. The Government has relaxed considerably the foreign equity guidelines in the approval of investment projects in manufacturing and tourism related sectors. In order to maintain the favourable climate for attracting private investment and for stimulating growth, the Government will continue with this liberal policy with regard to equity requirements for foreign investments in the manufacturing and tourism sectors. In line with this policy, the Government will relax the equity guidelines applicable to local investors for the promotion of exports.

1.60. The Foreign Investment Committee (FIC) will continue to monitor the restructuring of the corporate sector. Companies which undertake transactions requiring the approval of the FIC will continue to be required to restructure their equities. This will be undertaken in a liberal manner based on the merits of each case and taking into account the importance of majority ownership to foreign and local investors. The existing guidelines will be improved and modified and made more explicit to facilitate their compliance by the private sector.

1.61. In order to facilitate progress towards reaching the equity restructuring objective, measures will be undertaken under the privatization programme to allocate a substantial proportion of the equity in the privatized projects to the Bumiputera. In particular, the privatisation of commercial enterprises under Government trust agencies such as MARA, PERNAS and SEDCS, will be reserved for Bumiputera. The privatization programme will be implemented as a vehicle to provide expanding opportunities for the creation of new equity capital for ownership by the Bumiputera. At the same time, opportunities will be provided to non-Bumiputera to participate in the privatized projects.

1.62. Efforts will also be made to improve the management and use of resources generated by Islamic-based institutions, especially those relating to the Zakat, Wakaf and Baitulmal. The main objective will be to ensure that the various socioeconomic programmes undertaken by these institutions are more effectively integrated with the national planning effort. Towards this end, appropriate consultative and research works have been initiated involving experts, academicians, practitioners and public officials with a view to identifying the potentials and opportunities for utilizing these resources for the well being and progress of the Muslim community.

1.63. The distributional objectives under the NDP can best be undertaken within the context of a rapidly expanding economy which generates additional opportunities and resources for the country. The continued expansion of the economy is therefore a necessary condition for the successful implementation of the NDP. To provide a favourable framework for the economy to achieve sustained growth, it is essential to ensure high levels of efficiency in both the public and private sectors.

1.64. An efficient public sector will be able to continue to play an important role in the effective implementation of programmes aimed at eradicating poverty, reducing regional imbalances and creating a viable BCIC. In this regard, the public enterprises are expected to play a more effective role in creating and supporting the BCIC. However, it is important to ensure that Government expenditures for achieving these distributional objectives are utilized efficiently so that they do not impose undue burden on the budget and are undertaken within the limits of the country's financing capacity.

1.65 Efforts towards ensuring public sector efficiency will require further measures to strengthen Government revenues and reduce its expenditures on lower priority programmes. To this end, privatization of Government services and public sector-owned commercial enterprises will be accelerated. Services and utilities for the public will be oriented towards recovering some, if not all, of the operational costs. All these measures will lead towards higher efficiency in the public sector and ensure that the Government will continue to have the resources to implement the high priority programmes under the NDP.

1.66. An efficient private sector is even more critical for the success of the NDP because through its growth new income and employment opportunities will be created for eradicating poverty and restructuring society. Government policies will play an important role in determining the growth that is expected from the private sector through high levels of investment and rapid expansion of exports. The policies of fiscal and monetary management and the implementation of rules and regulations affecting private sector activities must therefore be geared towards providing opportunities for all sections of the contribute productively to the expansion of the economy. In addition, public sector investment in human resource and infrastructure development must be increased to enlarge the capacity for private sector growth.

1.67. The continuing concern with poverty and problems of economic imbalances under the NDP point to the importance of efficient institutional and delivery mechanisms to ensure better results and maximum impact on the target groups. In line with this, the Government will undertake to further streamline the roles and functions of key agencies that are directly involved in eradicating poverty and restructuring society. The role of public sector agencies and statutory bodies will be closely monitored to make them more accountable for their activities as well as to increase efficiency in the management and utilization of Government resources.

Growth Prospects And Policies

1.68. The high growth trend of the economy in the seventies continued into the early eighties. After the recession of the mid-eighties, the country has recovered strongly. The main impetus came from strong manufactured exports and brisk expansion of the industrial sector. Private investment expanded rapidly in the industrial sectors, particularly manufacturing and construction, petroleum exploration and production, and in the export-oriented industries located in the Free Trade Zones.

1.69. This growth momentum is expected to continue in the nineties as the economy firms up further with private investment and exports remaining buoyant. The Malaysian economy is targeted to grow by an average of 7 per cent per annum in the decade of the OPP2 as compared with the average growth rate of 6.7 per cent achieved during the 1971-90 period. The share of manufacturing in Gross Domestic Product (GDP) is projected to increase from 27 per cent in 1990 to about 37 per cent by the year 2000, making Malaysia an industrial-oriented economy, increasingly dependent on manufacturing exports for the growth of incomes and employment in the country. Manufacturing exports are projected to account for about 81 per cent of total exports by the year 2000, while the share of agricultural exports will decline to 6 per cent.

1.70. Employment is projected to grow by 3.1 per cent per annum. Despite a high rate of labour force growth of 2.9 per cent per annum, the expansion of the economy at the rate projected will enable unemployment to be reduced to about 4 per cent by the year 2000. This will call for a substantial outflow of labour from the traditional

sectors to the urban-based sectors of commerce and industry to meet the projected demand for labour.

1.71. The prospects for achieving the growth targets outlined in the OPP2 are good in the light of the recent performance of investment and exports and the better management of available natural resources to sustain continued expansion in the future. Nevertheless, the external environment is still a major factor in determining the pace of economic activity in the country in view of the importance of foreign trade and investment in the economy.

1.72. Although some uncertainties remain, the end of the Gulf War, the return of low oil prices and the resumption of the General Agreement on Tariffs and Trade (GATT) negotiations, have greatly improved the medium term prospects for the global economy. Past efforts by the developed countries had succeeded in sustaining investment growth and world trade, thus providing the market for the expansion of exports from the developing countries. With the emergence of the newly industrialized economies in the East Asia Region and growing dynamism of Asean countries, the expansion of trade and investment will offer increasing opportunities for Malaysia's development.

1.73 . Nevertheless, there are uncertainties in view of the volatile nature of interest rates and currency movements, the protectionist sentiments in the developed countries and the emergence of new trading blocs. In addition, there are also risks associated with the increasing competition in the export of agricultural and manufactured products which Malaysia will face especially from neighbouring countries which have the advantage of low labour costs. It does now on the exports of electronics, textiles, garments and electrical products for the growth of the export sector. In order to remain competitive in the export of manufactured goods and to sustain rapid economic growth, Malaysia must increase its productivity and further diversify into higher value-added production based on the downstream processing and manufacturing of its natural resources and primary products for exports.

1.74. The Government's economic policies will be aimed at minimizing the impact of these uncertainties and risks so that the country can grow at a rapid rate. To this end, the Government will ensure that its economic policies will continue to maintain

macro-economic stability through fiscal and monetary policies aimed at providing the framework for efficiency and growth in both the public and private sectors.

1.75. In doing so, the Government will continue to reduce the size of the public sector deficit to a sustainable level so as to avoid large imbalances in the resource situation. Large public sector deficits which require high levels of financing from foreign borrowing can have a detrimental effect on the financial and monetary system and discourage private investment. It is important therefore to control the size of the deficits through fiscal prudence on the expenditure side as well as appropriate policies on the revenue side.

1.76. To strengthen private sector growth, efforts will be made to ensure that the healthy investment climate is maintained and developed through further deregulation and simplification of administrative procedures at all levels of administration. In addition, these policies will be supported by strategies on industrial restructuring, technological and human resource development to strengthen the basis for industrial expansion and the diversification of manufacturing exports. Further, the facilities in the financial system for the efficient mobilization of capital to meet the resources required for expansion of the private sector will also be improved.

1.77. The capacity for growth will depend increasingly on an efficient labour market which is able to match the supply of trained manpower with the requirements of the private sector. A high priority will therefore be given towards human resource development so as to ensure the availability of a well educated and trained quality labour force to meet the requirements of the rapidly growing economy.

1.78. A high level of economic growth will lead to a greater demand for labour which in turn will bring about a higher level of wages. With increased competition among firms for labour and the tightening of the labour market, a larger share of value added will go to wages thus improving income distribution and the welfare of the workers.

1.79. To improve further the working of the labour market, a review of the wage system is being undertaken. It is recognized that in order to reduce poverty and improve the standards of living, wage levels must increase. However, wage increases should be related to productivity so as to ensure that unit cost of production

remains competitive. A flexible system of wages which relates wage movements to labour productivity and company's profits will provide more incentives for employers to use labour and make it possible for them to operate with higher levels of employment and profits. This system of determining wages is therefore in the best interest of both workers and employers.

1.80. New and emerging technologies will have a major impact on productivity and competitiveness as the economy accelerates its industrialization drive. In addition, a structural shift in the production sector to higher value-added products using new technologies is anticipated. Malaysia will have to diversify its export base into products which will exploit new and emerging technologies. In this regard, the Government will invest in science and technology (S&T) infrastructure, particularly in the new and emerging areas of technology.

Regional Development

1.81. Regional development strategies will be implemented to reduce the large imbalances in economic development between states in the country and thereby improve income distribution.

1.82. An important objective of regional development is to progressively integrate the regional economies of the states of Sabah and Sarawak to foster national integration and to promote the complementarity of these economies with the economy of the Peninsular states. These two states have vast land and rich natural resources which could be utilized efficiently to promote their socioeconomic growth as well as the growth of the national economy. Towards this end, increased investments are needed to improve the socioeconomic conditions and physical infrastructures of these two states so that the potentials of these states can be fully developed and the needed complementarity can further be enhanced.

1.83. As there is a close correlation between regional disparities and ethnic inequalities in income, correcting regional imbalances in development will simultaneously facilitate the attainment of greater ethnic income equality in the country. Therefore, although complete regional equality may not be feasible or optimal because of differences in the development potentials of each region, the

Government will continue to develop the poorer states in order to improve their income and standards of living. The per capita GDP of these states, in particular Kedah, Perlis and Kelantan, is well below the national average. It will take substantial efforts to reduce this disparity but despite the costs, these efforts are necessary to expedite the process of reducing the wide regional imbalances in the country.

1.84. In line with this, therefore, programmes to diversify the economic base of these states will continue to be expanded. Since faster growth is greatly facilitated by expanding manufacturing and service sectors, more attention will be given towards increasing value-added activities and enhancing down-stream linkages in the agricultural and the industrial sectors in these states. Improvements in agricultural activity will be sought through land consolidation in order to provide for a more efficient scale of operation and cultivation of high-value cash crops. Further research and development (R&D) in commercial crops will also be promoted. Selective dispersal of industries will also be encouraged by prompting the private sector to relocate additional capacities in these states. With the increasing difficulties of finding labour, there will be a greater need for industries to locate closer to the sources of labour supply in rural areas.

1.85. The Government, in implementing the concept of industrial estate specialization by location, will encourage the process of industrial dispersal by developing well-equipped industrial estates, which are provided with sufficient physical facilities and other amenities such as education, health and housing in selected locations in the less developed states so as to make the rural locations more attractive to private investors. Such investments in infrastructure and social services in the less developed states will be planned to develop these locations into new growth centres contributing to regional development.

Human Resource Development

1.86. During the decade of the nineties, human resource development will assume new importance. Competitiveness, productivity, innovativeness and capability in management of new technologies in Malaysia will be determined by the quality of its human resources. A productive and efficient labour force must be developed with strong ethical and moral values and a commitment to excellence. With the increasing

globalization and internationalization of the world economy, the country will face more competition in trade and investment. In view of the challenges ahead, Malaysians should be well equipped with a strong base in education and training including the ability to communicate in a second language, for example English, which is an international language of commerce. However, the Government will continue to emphasize the increased use of Bahasa Malaysia, the national language, by all Malaysians as this is fundamental for national unity.

1.87. Human resource development must contain policies and programmes to continuously upgrade and improve the education and training programmes and facilities to meet the changing skill requirements. The Government will give a high priority towards human resource development in the allocation of expenditures under the public sector programme. Special emphasis will be placed on improving the quality of education and facilities in schools so as to reduce the problem of high drop-out rates at the primary and secondary levels, especially in the rural areas, improve the employment prospects of the school leavers, and facilitate their training at the higher levels of the education system. It is important to emphasize the development of mathematics, science, manipulative and communicative skills as well as proficiency in English and other foreign languages so that school leavers can be more readily acceptable for employment and further training by their employers.

1.88. With rising incomes, the demand for higher education will increase further in the nineties. Most of this demand will have to be met locally as Malaysia cannot rely as much as before on foreign universities and colleges to solve the problem of providing places for our students, especially as some; countries have introduced more stringent conditions on the admission of foreign students in certain courses like medicine and accountancy. Further, a heavy dependence on foreign education is neither financially sustainable nor socially acceptable. In view of the large financial resources required to provide most of this demand locally, it will not be possible for the Government alone to bear the full burden. Thus, it is essential to review the existing system of financing higher education and introduce measures, such as the setting up of an open university that will result in reducing the financial cost to the Government.

1.89. The main burden of industrial training is now borne by the public sector. It is essential that private sector employers bear a greater responsibility in training the skilled workers required by them. To this end, employers and the relevant Government agencies should cooperate to expand the in-service and apprenticeship training schemes so as to make the training more related to the needs of the labour market. It should be emphasized that industrial training should aim at developing innovative skills and technical competency of the labour force. In line with this, the Government will set up a skill development fund in order to encourage a more effective participation of the private sector.

1.90. The creation of national wealth through proper management of natural resources can only be achieved if the nation is able to acquire fluency in S&T. Awareness must permeate all levels of decision-making and all levels of society. Malaysia is short of high level manpower specialized in S&T and in R&D. As the availability of a strong scientific community is crucial for the country so that it can keep up with foreign technological advancements and develop its own technologies to reduce the dependence on imported technology, increased efforts will be made to enlarge the pool of Malaysian scientists and specialists and provide them with proper incentives to serve and develop their professional careers in the country. Towards this end, more Malaysians especially Bumiputera will be encouraged to pursue relevant advanced professional and technological degrees in selected universities and institutions overseas.

Conclusion

1.91. The experience of socioeconomic development under the OPPI has shown that nation building is a complex task. Despite commendable performance in achieving the two-pronged strategy of eradicating poverty and restructuring society under the NEP, the scope for further efforts towards accomplishing this strategy is still considerable. The OPP2 will build upon these accomplishments to further foster the achievement of the overriding objective of national unity.

1.92. The overall thrust of the NDP is balanced development within the framework of rapid growth with equity in order to establish a more united and just society. The NDP will seek to maximize economic growth through policies which will allow for the free

play of the market mechanism and the active participation of the private sector in the spirit of Malaysia Incorporated. Whilst the major source of growth will be through the expansion of the private sector, the role of the Government and public sector agencies will continue to be necessary under the NDP to effectively implement the distributional objectives as well as bring about widespread improvements in living standards and the quality of life. This role, however, must be undertaken within the context of prudent management of resources so that the public sector will contribute to the financial and economic stability of the economy.

1.93. The opportunities for growth and a wider distribution of benefits ensuing from such growth will enhance participation of Malaysians in the national development process and foster greater social justice in the enjoyment of the benefits of growth. This, together with the preservation of the ecology and environment, and the maintenance of a stable socio-political climate, will contribute towards the sustainability of national development.

1.94. Although rapid economic development is a prerequisite to create greater opportunities for nation building, the concerns for development is by no means restricted to economic aspects. Socio-political and cultural considerations are equally important and must be harnessed and merged with the overall development process. Thus, education, sports, culture and religion are also important in addition to the efforts under the NDP to provide the basis for achieving national unity as envisaged in the Rukunegara.

Bab 2 – Penilaian Rangka Rancangan Jangka Panjang Pertama (RRJPI) 1971-90

Introduction

2.01. The First Outline Perspective Plan (OPP1), 1971-90, set the broad socio-economic framework within which the objectives of the New Economic Policy (NEP) were to be achieved. Apart from setting the major targets with respects to growth and distribution, the Plan also outlined the policies, strategies and programmes towards attaining these objectives.

2.02. The OPP1 period saw the completion of four five-year development plan. While the development path has been marked by significant economic and social progress, the economy also underwent several trying years resulting from domestic constraints and weaknesses as well as external uncertainties and instability. In spite of all these, the nation has emerged much stronger and stands poised to approach the decade of the nineties with greater strength and resilience.

Objectives And Target Of Opp1

New Economic Policy

2.03. The NEP was formulated with the overriding objective of attaining national unity and fostering nation-building through the two-pronged strategy of eradicating poverty and restructuring society. The first prong of the NEP strategy was to eradicate poverty, irrespective of race. In undertaking this commitment, the Government recognized the magnitude of the efforts required as, at the onset of the OPPI, about half of the nation's total households were in poverty. The incidence of poverty in Peninsular Malaysia in 1970 stood at 49.3 per cent of total households. The target was to reduce this to 16.7 per cent by 1990. The largest number of poor households was in the rural areas with an incidence of poverty of 58.7 per cent compared with 21.3 per cent in the urban areas. The incidence of poverty in the rural and urban areas was targeted to be reduced to 23 per cent and 9.1 per cent, respectively, by 1990. In terms of ethnic groups, the Bumiputera formed the majority of the poor, accounting for 74 per cent of all poor households in Peninsular Malaysia in 1970. The incidence of poverty among the Bumiputera was also the highest at 65 per cent compared with 26 per cent for the Chinese and 39 per cent for the Indians.

2.04. In terms of income levels, the mean household income in 1970 was only \$264 per month, with 27 per cent of households earning below \$100 per month and a further 31 per cent earning between \$100 to \$200 per month.

2.05. The second prong of the NEP strategy sought to restructure society by eliminating the identification of race with economic function. This objective was to be achieved through the restructuring of employment pattern, ownership of share capital in the corporate sector and the creation of Bumiputera Commercial and Industrial Community (BCIC).

2.06. A major thrust under the second-prong strategy of the NEP was employment restructuring so as to reflect the ethnic composition of employment in the various sectors of the economy and at all occupational levels. This objective was crucial given that the occupational structure was, at the onset of the NEP, characterized by significant demarcations. As shown in Table 2-1, the Bumiputera were highly concentrated in the traditional agriculture sector and in low income job categories, while the non-Bumiputera were more favourably represented in the modern sectors of the economy and in the professional and technical occupations where productivity and incomes were higher. The attainment of this objective required substantial efforts at bringing about sizeable inter-sectoral labour movements. The absorption of the Bumiputera in new employment, particularly in the industrial and services sectors, was to be sustained at high rates.

2.07. Another important element in the restructuring strategy was the creation of the BCIC so as to ensure a viable participation of Bumiputera individuals in the modern sectors of the economy. The target was that within a generation, the Bumiputera would own and manage at least 30 per cent of the total commercial and industrial activities of the economy.

2.08. With respect to ownership restructuring, the target was to increase Bumiputera ownership of corporate share capital from 2.4 per cent of the total in 1970 to at least 30 per cent by 1990. To attain the desired target, Bumiputera share ownership was projected to expand at the rapid rate of 30 per cent per annum compared with 14.5 per cent per annum projected for the total value of equity capital in the corporate

sector during the OPPI period. The equity shares of other Malaysians and foreigners were projected to grow moderately by 15.4 per cent and 10.3 per cent per annum, respectively. It was targeted that by 1990, with the Bumiputera share of corporate assets reaching 30 per cent of the total, the share of other Malaysians would increase from 34.3 per cent to 40 per cent while that of foreigners would decline from 63.3 per cent to 30 per cent.

2.09. As part of its restructuring goals, the OPPI also sought to bring about greater integration among the states and regions in the country. These objectives were to be achieved by implementing various strategies and programmes to reduce regional disparities and to bring about a more equitable distribution. Towards this end, efforts aimed at improving opportunities for social and economic advancement in the less developed areas and facilitating the mobility of people across regions and occupations were to be made.

Macro-economic Framework of the OPPI

2.10. The NEP was to be implemented within the context of rapid economic expansion. Thus, a high growth strategy was adopted during the OPPI, with real GDP targeted to grow at 8 per cent per annum. Such a rate of growth was necessary so as to generate sufficient number of employment and more opportunities to allow restructuring to occur without depriving other sections of the community and to provide the social services and infrastructure necessary to meet the NEP's socioeconomic objectives. It was also envisaged that with the economy growing at 8 per cent per annum, the unemployment rate would be gradually reduced from 7.4 per cent in 1970 to 3.6 per cent by 1990, thus reaching full employment.

2.11. The prospect for accelerated growth was to have its origin from the utilization of the nation's large natural resource endowment through expansion in agricultural production as well as raw material-based industrial development. The main stimulus for the rapid rate of growth was to come from strong expansion in investment, both public and private. During the period, total investment was projected to expand by 9.1 per cent per annum, so that the ratio of investment to Gross National Product (GNP) would increase from 17.7 per cent in 1970 to 22.3 per cent by 1990. Public investment was projected to increase by seven-fold or at an average annual rate of

10.1 per cent. A substantial part of the investment would be for infrastructural and rural development as well as for public enterprises entrusted with the task of increasing Bumiputera participation in modern commercial and industrial activities. It was envisaged that the rapid expansion of public sector investment would be accompanied by further acceleration in private investment which was projected to grow at 8.5 per cent per annum during the period.

2.12. A second major impetus for the rapid expansion of the economy was strong export growth. Export earnings were targeted to grow rapidly at 7.1 per cent per annum. Such an expansion was required, in part, to mobilize sufficient foreign exchange to meet growing import requirements, particularly for investment purposes. A significant stimulus to this growth would be from manufactured products, especially in resource-based and other industries, with potential for development. As a result, export of manufactures was anticipated to account for 38.1 per cent of total exports of goods and services in 1990 compared with 11 per cent in 1970. Imports, on the other hand, were expected to grow at a comparatively slower rate of 5.2 per cent per annum in line with efforts toward import substitution.

2.13. National savings as a proportion of GNP was expected to increase progressively from 14 per cent in 1970 to 16.5 per cent in 1990 in line with expected increases in income. This would allow for a high proportion of the required investment to be financed from domestic sources. The expected growth in savings and net export earnings implied that there would be no resource or foreign exchange constraints to capital formation. The requirement for foreign financing to supplement domestic sources was accordingly expected to be small and the balance of payments was projected to remain healthy throughout the OPPI period.

2.14. In terms of sectoral growth, substantial changes were expected in the structure of the economy during the period. The high growth in the GDP was expected to be accompanied by structural transformation towards greater modernization and diversification of the economy.

2.15. The agriculture sector was expected to expand at the rate of 5.4 per cent per annum during the period. The contribution to growth in output were to come from new as well as in-situ land development, productivity improvements, the promotion of new

and higher value crops as well as the development of fishery and livestock. In spite of these expected improvements, the agriculture sector would account for a smaller share of output due to the more rapid expansion of the other sectors. Similarly, while additions to new employment in agriculture in absolute terms were expected to increase, the rate of increase was expected to be small.

2.16. The manufacturing sector was expected to be the fastest growing sector in the economy, growing rapidly at 12.2 per cent per annum, reflecting the expected dynamism, strength and potential of this sector. With this rapid growth, the sector would account for more than one third of the increase in the potential for GDP. Factors underpinning this expansion were the sizeable unutilized and human resources, the growth in private disposable income as production of intermediate and capital goods arising from the progressive enlargement of the industrial base. While the growth in the labour-intensive textiles and electronics industries would provide the momentum for the growth of the manufacturing sector, a new set of industries was also expected to emerge, including rubber and timber products, petrochemicals as well as metal works industries. At the end of the period, the sector was expected to be the largest sector in the economy, accounting for 26.2 per cent of GDP compared with 13.9 per cent in 1970, while employment in the manufacturing sector would double from 8.7 per cent of the total in 1970 to 16.8 per cent by 1990.

2.17. The services sector was expected to grow in consonance with the general economic activities. The strongest growth were to be in electricity, water and sanitary services and in the finance, banking, insurance and real estate sectors, in line with the efforts to improve the social, physical and institutional infrastructure.

Progress And Achievements During Opp1

Macro-economic Performance

2.18. During the period, the pace of development was characterized by fluctuations in the rates of growth of the GDP- The seventies, which generally was a period of favourable external conditions, saw the economy growing at a rapid rate of 7.5 per cent per annum. In contrast, the early years of the eighties witnessed a prolonged world recession. This, together with emerging domestic constraints, had slowed down the growth of the Malaysian economy in the eighties to 5.9 per cent per annum.

2.19. Overall, however, the performance of the Malaysian economy during the OPPI period had been satisfactory. The nation's GDP grew at an average rate of 6.7 per cent per annum. While this fell short of the OPPI target of 8 per cent per annum, it compares well with the achievement of 6 per cent during the sixties. Furthermore, the performance compares favourably even with some of the developed countries which had experienced slower growth in output and income.

2.20. During the seventies, the growth of the economy was largely export-led resulting in the expansion of domestic demand. The steady growth of public sector expenditure in support of those programmes designed to achieve the Objectives of the NEP also provided counter-cyclical support to the economy during times of low exports and poor private sector performance.

2.21. Since 1980, however, the nation's growth path showed a declining trend resulting particularly from the prolonged recession of the world economy following the second oil shock in 1979. The adverse external environment together with the slow-down in the public sector expenditure led to the deterioration in the rate of growth of the economy. In 1985, the economy registered a negative rate of growth. The economy, however, recovered from 1986 onwards, resulting mainly from the adjustment efforts undertaken by the Government as well as a marked improvement in the external environment. The economy has since returned to a high growth path.

2.22. During the OPPI period, GDP in real purchasing power grew at 6.7 per cent per annum. As there were slight gains in the terms of trade during the review period, there was an improvement in the purchasing power of income. This was contributed mainly by better performance and higher prices of manufactured exports and crude petroleum, especially in the eighties. Real GDP in 1990 recorded more than a three-fold increase from \$21,548 million in 1970 to \$79,103 million (in 1978 prices). However, with the population growing on the average by 2.5 per cent per annum, per capita income in real terms recorded only a two-fold increase from \$1,937 in 1970 to \$4,268 (in 1978 prices) in 1990, or \$6,180 in current terms.

2.23. The strong output growth was sustained while maintaining low rates of inflation. There was a remarkable record of price stability, except in 1973-74, when the

upsurge in world inflation exerted strong pressures on domestic prices. The inflationary pressures abated following stringent anti-inflationary measures taken by the Government. The inflation rate, as measured by the private consumption deflator, averaged only 4.6 per cent during the period.

2.24. Exports of goods and services grew by 9.2 per cent per annum, exceeding the 7.1 per cent target of the OPPI. The strong growth was experienced particularly during the 1976-80 period, while poor external demand and unfavourable commodity prices adversely affected its performance during the 1981-83 period and in 1985. The OPPI period also witnessed distinct changes in the composition of exports. The share of rubber in merchandise exports declined significantly from 33.4 per cent in 1970 to 3.8 per cent in 1990. In contrast, the contribution of oil and gas to export earnings became more significant with its share rising from 4 per cent to 16.2 per cent. The most remarkable achievement was with respect to manufactured exports which rose from 12 per cent in 1970 to 60.4 per cent in 1990, in line with greater industrialization efforts.

2.25. Total investment increased rapidly during the period, rising by 9.6 per cent per annum, while its ratio to GNP in real terms reached 35.1 per cent in 1990 compared with 22.3 per cent projected in the OPPI. The large increase in investment was brought about largely by significant increases in public investment which grew by 10 per cent per annum during the period. The accelerated growth in public investment was, to some extent, compelled by the inability of the private sector to provide the growth impetus. As a result, the public sector had to undertake counter-cyclical measures to revive and expand the economy from the contractionary impact of the world economic slow-down, particularly during the period of the Fourth Malaysia Plan.

2.26. Overall, private sector investment performed better than the OPPI target. During the period, it expanded by 9.4 per cent per annum compared with the OPPI target of 8.5 per cent per annum. Its growth decelerated during the mid-eighties compared with its performance in the seventies due to the collapse of commodity prices and its impact on domestic demand. This resulted in its overall share to total investment declining from 70 per cent in 1970 to only 53 per cent in 1985. Private

investment, however, picked up strongly after the recovery from 1986 onwards so that by 1990 its share to total investment rebounded to 67.3 per cent. This turnaround was brought about by improvements in the external environment as well as by deregulation and liberalization measures undertaken by the Government to improve private sector performance.

2.27. The overall rapid rate of increase in investment over the OPPI period was, however, not matched by a similar rate of growth in output. The incremental capital output ratio (ICOR) rose from an average of 3.4 in the seventies to 4.9 in the eighties, reflecting the large investment in infrastructure projects and heavy industries in the early eighties which provided the long-term capacity for industrial growth.

2.28. During the OPPI period, the country achieved high levels of savings. The saving ratio reached 30.3 per cent of GNP by 1990, almost double the level envisaged in the OPPI, as shown in [Table 2-2](#). However, a large part of it was attributed to households, such as employees' savings in provident funds and social security, and savings in insurance schemes and cooperatives. These were generally invested in financial assets including Government securities, property and real estate, and other assets. Such savings were, thus, not adequately channelled towards capital formation or venture capital. Similarly, banks and financial institutions in their lending policies had concentrated mainly on the Government and large corporations. Small and medium-sized businesses, especially domestic companies, thus, continued to experience difficulties in obtaining funds to meet their capital needs, which to a large extent had constrained their capacity to expand.

2.29. On the external front, the high merchandise export growth achieved during the OPPI period was accompanied by equally high import growth. The services account, on the other hand, remained weak and its position was further exacerbated by the increasingly high rates of factor payments outflow as a result of interest payments and dividend repatriations. Thus, while the merchandise trade account recorded a surplus for most of the OPPI period, except in 1981-1982, it was generally more than offset by the deficit in the services account. As a result, the current account had remained vulnerable.

2.30. Finally, in terms of achieving the full employment goal, the OPPI envisaged that the rate of unemployment would fall to 3.6 per cent by 1990. While the rate of job creation was almost as high as originally targeted, it was offset by rapid increases in the size of the workforce and higher labour participation rates, resulting in unemployment remaining high. This was further exacerbated by the recession in the mid-eighties and the emergence of mismatches and rigidities in the labour market. With the rapid recovery of the economy, the unemployment rate was reduced significantly from 8.3 per cent in 1986 to 6 per cent in 1990. The unemployed as defined includes those who are not actively looking for jobs and they accounted for about half of the total unemployed. The labour market has, therefore, become tight leading to shortages of workers in certain sections of the economy and the influx of immigrant workers to fill the vacancies.

Sectoral Growth and Transformation

2.31. The structure of the economy had undergone major changes over the last two decades resulting in a better balance between agriculture, industry and services, as shown in [Table 2-3](#). Substantial structural transformation in the composition of output among and within sectors occurred in line with the modernization and diversification efforts. The range of activities and products as well as sources of growth became more diversified. An increasing degree of sectoral interlinkages and greater integration and strengthening of linkages within the economy had also become apparent.

2.32. The growth of the nation's output was increasingly being led by the expansion in the manufacturing and mining sectors, mainly oil and gas. Of significance was the rapid expansion of the manufacturing sector. Its rapid rate of growth of 10.3 per cent per annum had resulted in its share in GDP rising from 13.9 per cent in 1970 to 27 per cent in 1990. The agriculture sector which traditionally provided the growth impetus to the economy, however, experienced continued deceleration in growth rates, from 5 per cent per annum in the seventies to 3.8 per cent in the eighties. This led to a reduction in its share of GDP from 29 per cent in 1970 to 18.7 per cent in 1990. The mining sector, particularly petroleum, contributed significantly to output increases since the second half of the seventies.

2.33. Substantial structural changes had also occurred in the composition of output within sectors. In agriculture, the changes in output were the direct consequence of the vigorous pursuance of the diversification efforts aimed primarily at broadening the base of agricultural production as well as to exploit world demand for commodities which yielded relatively higher rates of return. Notable features were the rapid expansion of palm oil and forestry products and the decline in the importance of rubber in output expansion. The contribution of cocoa to output growth was also significant. In spite of these, however, real output of the agriculture sector grew at 4.4 per cent per annum, lower than the OPPI target of 5.4 per cent.

2.34. The mining sector had also experienced substantial structural changes in output. The share of tin, bauxite and iron ore declined due to the depletion of known reserves. In contrast, crude petroleum production rose sharply from 18,000 barrels per day (b/d) in 1970 to 622,500 b/d in 1990. Its contribution to the sector value-added rose from 16.5 per cent in 1970 to 82.6 per cent in 1990. Real output of the mining sector in the eighties expanded by 5.5 per cent per annum compared with 4.2 per cent in the seventies on account of higher production of oil and the discovery of gas reserves. The share of the mining sector in 1990 reached 9.7 per cent of GDP, far exceeding the 2.6 per cent envisaged in the OPPI.

2.35. The manufacturing sector registered the highest rate of output growth, expanding at the rate of 10.3 per cent during the OPPI period. The sector grew at a higher rate of 11.3 per cent per annum during the seventies as against 9.4 per cent per annum in the eighties. However, during the second half of the eighties, the sector grew on the average at a higher rate by 13.7 per cent. In 1990, exports of manufactured products accounted for 60.4 per cent of total exports compared with only 12 per cent in 1970. In the early stages of industrialization, this sector was dominated by industries oriented primarily towards the domestic market. Subsequently, the growth impetus in the manufacturing sector came mainly from labour-intensive processing and assembly-type industries, such as textile and electronics, which produced mainly for exports. A significant factor underlying the remarkable rate of growth was the rapid expansion of resource-based industries which included wood and rubber products. The eighties saw the emergence of heavy

industries established by the Government, including the national car, methanol, sponge iron, and pulp and paper.

2.36. Development in the services sector, while satisfactory, was not as robust as that of the manufacturing sector. The sector as a whole grew annually at 7.6 per cent during the OPPI period, the most rapid being in the transport and communications, electricity, gas and water, and in finance and banking. This sector contributed about 42.3 per cent to GDP in 1990 compared with 48.3 per cent anticipated in the OPPI. The sector nevertheless, was able to provide the necessary support for the growth of the leading sectors and had grown largely in consonance with these sectors.

Socio-economic Progress

2.37. The OPPI period saw a significant improvement in the standard of living and income distribution pattern of all Malaysians. There was a wider coverage of basic amenities which contributed to the improvement in the quality of life, as shown in [Table 2-4](#). Overall, growth over the period was accompanied by a significant reduction in income imbalances amongst the major races and between urban and rural areas in the country. [Table 2-5](#) shows that the average monthly income for all households increased from \$264 in 1970 to \$1,163 by 1990, reflecting a real rate of growth of 3.1 per cent per annum.

2.38. The rapid economic development and substantial growth in income brought about a reduction in the incidence of poverty. The proportion of households living below the poverty line in Peninsular Malaysia declined from 49.3 per cent to about 15 per cent, better than the target of 16.7 per cent by 1990 set under the OPPI, as shown in [Table 2-6](#). There was a significant reduction in the level of poverty among all ethnic groups. Poor rural households had the most rapid growth in incomes as they diversified their economic activities. Part of the gains in rural incomes came from productivity increases brought about by modernization, commercialization and technological improvement of smallholder agriculture and from more intensive farming. More significant gains, however, came from the structural changes in rural employment resulting in the diversification of the sources of rural income with non-agricultural activities accounting for more than half of the income of rural households. In addition, the growth in the demand for non-agricultural labour encouraged large

numbers of self-employed and unpaid family workers to enter the wage-labour market, making wage income a more important determinant of rural household income. The public sector programmes for rural development such as education, rural roads and communications also contributed to higher participation rates especially among female labour, thus contributing to higher earning capacity among them. Rural households are therefore now less dependent on agricultural incomes as opportunities for non-agricultural employment become more readily available.

Includes Indians

2.39. Despite the progress made in eradicating poverty, the inter-ethnic and rural-urban dimensions of poverty, however, continued to be of concern. Poverty was still highly concentrated within the traditional primary sectors and in the rural areas. In terms of occupation, the rubber smallholders, padi farmers, coconut smallholders and fishermen still constituted a large proportion of the poor. Since the Bumiputera are predominant in the rural areas and in these occupations, the incidence of poverty among them continued to remain high. From the regional perspective, high levels of poverty were recorded in the states of Kelantan, Terengganu, Kedah, Perak, Sabah and Sarawak.

2.40. With regard to the restructuring of society, the achievements fell short of the targets set under the OPPI. In terms of employment restructuring, the Bumiputera are still over represented in the agriculture sector although their share of employment in the manufacturing and industrial sectors had increased. Bumiputera employment in the manufacturing sector rose from about 84,400 or 28.9 per cent of total employment in 1970 to 605,700, representing 49.1 per cent in 1990. In the public sector, the non-Bumiputera share of employment has declined.

2.41. While the overall share of agricultural employment to total employment in Peninsular Malaysia fell from 50.3 per cent in 1970 to 22.2 per cent in 1990, agricultural employment among Bumiputera fell from 66.2 per cent to 29 per cent. In absolute terms, the number of Bumiputera employed in the sector decreased from 951,100 to 875,200. The number of Chinese engaged in agriculture also decreased from 300,900 to 207,200 and Indians from 142,000 to 136,400 during the same period. Although Bumiputera employment in the agriculture sector declined by 75,900

their number in the sector remained high. However, Bumiputera were able to secure 1.6 million new jobs in the other sectors, indicating that they are steadily shifting out of the agriculture sector.

2.42. In the professional and technical categories, the Bumiputera representation exceeded the 50 per cent target set in the OPPI. By 1990, the Bumiputera share in these categories accounted for 61.8 per cent compared with 47.2 per cent at the start of the OPPI. However, a major proportion of them are teachers and nurses. The Bumiputera share of employment at the administrative and managerial levels had also improved, from 22.4 per cent in 1970 to 31.3 per cent by 1990. This improvement, however, is far below the target of 49.3 per cent, largely reflecting the low Bumiputera representation at the managerial and supervisory levels in the manufacturing and services sectors.

2.43. With regard to the creation of the BCIC, the Progress made in the seventies in the small-scale commercial, industrial and services sectors was affected by the relatively slower economic growth in the eighties. The recession in the mid-eighties had, to a large extent, affected the progress towards developing a viable base for Bumiputera entrepreneurs. The viable participation sought for had, thus, met with little success. In addition, there were also doubts over the resilience and dynamism of Bumiputera entrepreneurs. As an indicator, although they make up a relatively small proportion of the entrepreneurial community, Bumiputera entrepreneurs accounted for around 40 per cent of declared bankrupts during the recession in the eighties.

2.44. The recession in the mid-eighties provided important lessons to Bumiputera entrepreneurs, many of whom lacked capital and expertise and, thus, suffered major financial difficulties during the period. In response, the Government established the Entrepreneurs Rehabilitation Fund in early 1988 to assist those companies which could be turned around.

2.45. With regard to equity restructuring, the share of the Bumiputera in the ownership of share capital increased from 2.4 per cent in 1970 to about 20.3 per cent in 1990, as shown in [Table 2-7](#). This achievement fell short of the 30 per cent target set under the OPPI. In absolute terms, however, the increase in the level of Bumiputera share ownership was substantial. Bumiputera shareholdings which

include Bumiputera individuals and trust agencies, increased from \$125.6 million in 1970 to about \$22,298 million by 1990. Of this, around \$9,000 million was held by Bumiputera as direct investors. The balance was held by Bumiputera individuals within Amanah Saham Nasional (ASN), Lembaga Urusan Tabung Haji (LUTH), and other such funds and by trust agencies. In comparison, the non-Bumiputera holdings expanded from \$1,721 million to \$50,754 million, increasing its share in corporate ownership from 32.3 per cent to 46.2 per cent. Of this, the Chinese share was about 44.9 per cent, the Indians 1 per cent and others 0.3 per cent. The share of nominee companies increased from 2 per cent to 8.4 per cent. The share of foreign ownership, on the other hand, declined from 63.3 per cent to 25.1 per cent, lower than the OPPI target. This indicates that progress was achieved in restructuring ownership pattern in the corporate sector, particularly in the effort to increase the share to be owned by Malaysians.

2.46. After a substantial increase in the seventies, the rate of growth of Bumiputera equity ownership slowed down due to the recession in the mideighties. In addition, as part of the policy adjustments undertaken to revive the private sector and stimulate growth, steps were taken to deregulate and liberalize the economy. These included the relaxation of equity conditions imposed upon foreign investors, the liberalization of the licensing requirement under the Industrial Coordination Act, 1975, as well as the relaxation of the guidelines governing the Foreign Investment Committee rules. These measures resulted in an influx of direct foreign investment in the second half of the eighties.

2.47. From the regional perspective, all states had registered improvements in their per capita GDP and household incomes which contributed to a reduction in the incidence of poverty, as shown in [Table 2-8](#). However, in terms of income differentials across states, the relative position of the less developed states of Kelantan and Kedah had worsened during the OPPI period. Terengganu, however, improved its position mainly due to the contribution of petroleum to the state's GDP. Selangor and Wilayah Persekutuan Kuala Lumpur, on the other hand, continued to enjoy higher levels of income relative to the other states. The persistent disparities among states could be partly attributed to the effects of market forces, the preference

by private entrepreneurs to invest in the more developed states, and the dependence of the poorer states on traditional agriculture.

Policy Adjustments During the 1980s

2.48. Development efforts during the OPPI were focussed on the promotion of growth with distribution so as to build a more equitable and united society. During the decade of the seventies, the Malaysian economy achieved high growth rates due largely to the generally favourable external environment and high commodity prices. In addition, the relatively abundant resources in the economy had enabled the Government to enlarge its role in the promotion of growth. All these, however, changed during the eighties. The prolonged global economic recession led to the slackening of export growth, declining terms of trade, as well as growing deficits in the balance of payments and the public sector budget. These adverse conditions had considerably affected the nation's economic performance and thus revealed the structural weaknesses and constraints within the economy.

2.49. The changing economic environment called for a rethinking of the nation's development strategies and the formulation of new approaches as well as adjustments to development policies and strategies. These new approaches and adjustments were necessary to enable the nation to become more self-reliant and resilient in order to be able to withstand the challenges arising from the changing economic environment, both externally and internally. Subsequently, the Government initiated structural adjustment measures including fiscal retrenchment since the Mid-Term Review of the Fourth Malaysia Plan and these were continued into the Fifth Malaysia Plan period.

2.50. The emphasis of the new development efforts was on the need to achieve moderate growth with stability with a view to ensuring the stability and sustainability of the economy over the long term. The impetus to growth was to be generated from the rapid expansion of domestic activities. To this end, stress was placed on the efficient management of the economy as well as the consolidation and concentration of development efforts with greater emphasis on raising productivity and competitiveness improving domestic resource mobilization and increasing the efficiency of resource utilization.

2.51. Since the launching of the NEP, the increasing participation of the public SeCtor in the economy had been an important vehicle through which the Government implemented its commitments under the NEP. As a result, the role of the Government, which in the sixties concentrated on providing basic services, had shifted towards greater and more direct participation across Most sectors of the economy. In addition, public sector expenditure was also used as a counter-cyclical measure to weather the impact of world recession. As a result, development expenditure rose by eight times between the Second and Fourth Malaysia Plans. This high level of expenditure imposed considerable strain on the financial resources of the Government which resulted in the widening of the public sector overall budgetary deficit.

2.52. To prevent further worsening of its financial resources, the Government took steps to reduce gradually the size and role of the public sector. Continued consolidation of its activities was emphasized to ensure a sustainable resource gap and a healthy budgetary position. Greater management efficiency and financial prudence were stressed. Financing of public sector deficits relied heavily on non-inflationary domestic sources while external borrowing was curtailed with a view to ensuring that the debt-service ratio was reduced to an acceptable level.

2.53. Given the constraints in the public sector, the private sector was identified to provide the leading role and dynamism in the economy. To this end, various strategies were adopted to enable the private sector to perform its role as the engine of growth in the economy. Several potential areas were identified where private sector participation could be promoted and encouraged.

2.54. Privatization of Government services provided another avenue for increasing private sector participation in the nation's development. Apart from bringing in new dynamism and greater efficiency, privatization would assist the public sector in reducing its financial burden in providing these services.

2.55. Greater foreign management and expertise were encouraged in order to tap additional capital, technology, skills, and global marketing capabilities. In addition, the inflow of direct foreign investment was needed to finance the large saving-investment

gap. Direct foreign investment, therefore, was encouraged through a more liberal treatment of new ventures as well as greater flexibility with regard to foreign equity participation in export-oriented industries.

2.56. Measures were also undertaken to streamline the administrative rules, regulations and controls with a view to providing a conducive environment for greater private sector activities. Some aspects of the Industrial Coordination Act, 1975 were liberalized to make it more flexible and responsive to changes in the business environment. In addition, the formulation of fiscal policy took into account the need to encourage healthy competition and increased efficiency as well as to make the tax system more competitive in attracting foreign investments.

2.57. The Malaysia Incorporated concept declared by the Government as a policy in 1983, provided a framework for closer cooperation between the public and the private sectors. Accordingly, attitudes of Government officials were oriented towards providing assistance and encouragement to the private sector to a greater extent than had been done in the past.

2.58. The development of the manufacturing sector was given national focus with the launching of the Industrial Master Plan (IMP) in 1985, which developed the strategies for rapid expansion of the sector. The IMP recommended, among others, adopting a resource-based manufacturing strategy as the best option in terms of growth, trade balance and sectoral linkages. The IMP also emphasized the deepening and widening of manufacturing activities to maximize complementarities as well as to enhance strong backward and forward linkages within manufacturing industries and between the manufacturing sector and the rest of the economy.

2.59. In agriculture, the strategy to revitalize agriculture led to the formulation of the National Agriculture Policy (NAP) in 1984, which was aimed at income maximization as well as increasing the contribution of the sector to economic expansion through efficient utilization of existing and new resources. The thrusts of the NAP were to increase productivity, efficiency and competitiveness through the modernization of smallholdings and commercialization of agricultural production. In the pursuit of these objectives, agriculture policies continued to focus on new land development, in-situ development as well as improving support services.

2.60. The private sector was increasingly encouraged to be involved in agriculture to utilize its management skills for accelerated development of resource-based industries. Towards this end, the restrictive practices in the alienation of land for plantation development, where appropriate, were rationalized, while a comprehensive set of incentives and other measures were also undertaken to bring in the private sector as a partner in agricultural development.

2.61. With respect to human resource development, increasing the productivity of labour was an important strategy adopted to support the efforts towards stimulating growth. The planning and development of human resources was oriented towards ensuring an adequate supply of suitably skilled manpower to meet the growing needs of the country. Greater emphasis was placed on the training of labour to equip them with the required skills. A closer rapport between training institutions and the private sector was promoted to increase the relevance and cost-effectiveness of the training programmes. In addition, greater involvement of the private sector in skill development was encouraged to reduce the training cost borne by the public sector and to ensure that skills provide would be consistent with market needs.

2.62. Aside from skill development, positive values and work ethics which stressed on diligence, loyalty, dedication and the need to be self-reliant through individual determination and initiative were also crucial in raising productivity and enhancing efficiency. Towards this end, the Government introduced the Look East Policy for Malaysians to emulate the work ethics and attitudes as well as adopt management practices of successful eastern nations.

2.63. The role of science and technology was also emphasized in line with efforts to increase overall productivity and create a strong industrial base. The need to improve the competitiveness of Malaysia's exports necessitated a greater role of Research and Development (R&D). High technology and strategic programmes that could expand the industrial capacity and enhance the technological capability of the country were promoted. Efforts were also made to foster and upgrade indigenous capacity and competence in scientific and technological fields. In this regard, greater private sector involvement was encouraged through various tax and other incentives to stimulate private sector R&D activities.

Lesson Learnt And New Perspectives And New Perspectives For The Future

2.64 The progress achieved during the OPPI period with respect to overall growth and socioeconomic objectives has been commendable. The lessons learnt and experience gained from past development efforts will provide a useful background for the future.

Socio-economic Perspectives

2.65 The NEP has contributed significantly towards a balanced participation of Malaysians in the nation's development. Therefore, the basic thrust of the NEP will still continue to guide our development efforts towards further reduction in the incidence of poverty irrespective of race and economic imbalances to ensure a more balanced and equitable distribution of the benefits of development. Greater attention will be focussed on the shortcomings and weaknesses identified during the past decades.

2.66 With respect to poverty eradication, although the targets of the NEP were more than achieved, the existence of hardcore poverty that will persist in the decade ahead, will need to be addressed. The direction and management of resources will be improved to ensure that the target groups will fully benefit from Government efforts. Improvements in the quality of life, in terms of shelter and accessibility to public amenities, will also be given priority. Furthermore, the problem of relative poverty will be given greater focus. The alleviation of both hardcore and relative poverty will be pursued irrespective of race.

2.67 In view of the shortfall of the restructuring targets, efforts will have to be focussed on a wider front to enable the Bumiputera to acquire greater capacity to broaden and strengthen their economic base as well as to increase their competitiveness and efficiency in economic activities. Measures to create more Bumiputera entrepreneurs and to increase their ownership in the corporate sector will continue to be undertaken. This is with the view to increasing their participation in management and their share of employment in the modern sector. In continuing these efforts, due attention will be given to the socioeconomic position of the minority groups within both the Bumiputera and the non-Bumiputera communities.

Economic Resilience and Internal Strength

2.68. The development emphasis in the nineties will have to focus towards building upon the recovery of the recent years as well as strengthening and harnessing its growth momentum. Since the growth of the Malaysian economy will continue to be influenced by developments in the external environment, policy measures will have to emphasize on increasing the strength and the resilience of the economy in order to cushion it from any adverse external economic changes. The growth impetus will have to come from the rapid expansion of domestic activities, through further expansion in value-added activities from indigenous resources which have widespread and strong linkages across sectors as well as through development of new sources of growth.

2.69. Greater efforts will have to be made in the mobilization of domestic resources. Resources to finance growth have traditionally come from domestic savings and external borrowings. If the nation is to continue reducing its reliance on external borrowings, it is imperative that resources for investment be sustained through increases in saving propensity. At the same time, greater efforts must be made to attract long-term capital inflows to meet the desired investment expansion.

Efficiency of Investment

2.70. During the OPPI period, while the country has succeeded in increasing its investment rate from an average of 26.6 per cent in the seventies to 32.1 per cent in the eighties, this has not been accompanied by higher growth of output, particularly in the eighties, indicating lower level of efficiency in the use of capital. However, some of these investments, especially those involving physical infrastructure and lumpy capital outlays have long gestation periods and take longer time to generate returns. Similarly, from the perspective of the third factor, the contribution of factor efficiency, technological improvements and entrepreneurship to output growth has been marginal. 2.71 Emphasis will have to be placed on greater efficiency in the economy. Policy measures will focus on improving capital efficiency, particularly through technological upgrading, increasing labour skills as well as in infrastructural and institutional development. Parallel to this, efforts will also be undertaken to reduce price distortions in the economy through further deregulation and

streamlining of the administrative processes and procedures. Efficiency gains will also be realized through organizational changes, improved marketing and management of labour.

Strength of the Private Sector

2.72. The OPPI envisaged the private sector to play an important role in providing the dynamism in spearheading the Malaysian economy. Instead, in the early eighties, private sector growth was sluggish. Private investment, however, recovered strongly from 1987 onwards.

2.73. As the nation enters the decade of the nineties, the private sector will spearhead the growth of the economy. While greater flexibility and pragmatism will be the underlying thrusts of the Government's efforts to promote private sector participation in the economy, greater responsiveness, initiative and willingness to undertake risks on the part of the private sector is necessary. The private sector must be able to seize every opportunity that would enhance its role, particularly in developing new ventures and adopting improved technology.

2.74. Greater emphasis has to be accorded towards improving efficiency and productivity to enable Malaysian entrepreneurs to become world marketeers in the international market. More intensive and concerted efforts, therefore, will have to be pursued towards better promotion and marketing of their products. Apart from these measures, a more self-reliant private sector whose performance is not sustained by high effective protection, is crucial to ensure that their competitiveness is maintained in the long term.

Sectoral Development and Linkages

2.75. The structure of the Malaysian economy underwent significant changes during the OPPI period. These changes which reflected the transformation of the economy, have also been accompanied by structural constraints and weaknesses, primarily in the two leading sectors of the economy, namely, manufacturing and agriculture. The services sector, on the other hand, has not developed as fast as was expected.

2.76. The expansion of the manufacturing sector has contributed significantly to

output and employment generation. Its growth, however, has shown several structural weaknesses. The industrial growth is still narrowly-based on a few industries, namely, electronics, textiles and clothing and are oriented towards exports. Apart from being heavily concentrated in the free trade zones, these industries have little inter-industry and inter-sectoral linkages with the rest of the economy and have depended on low wages to remain competitive. Other industries, particularly those which are domestic oriented, on the other hand, have expanded within an environment of high protection which have adversely affected their ability to compete in the overseas markets.

2.77. In the case of agriculture, the problems confronting the sector were attributed to both external and internal factors. Externally, prices for agricultural commodities have shown a secular decline in real terms. Internally, the problems confronting the sector were more structural in nature. The supply of cultivable land in Peninsular Malaysia is limited. In Sabah and Sarawak while land is still abundant, accessibility is difficult because of poor infrastructure. Agriculture is also characterized by relatively low returns and rising costs. Thus, both labour and capital resources, have tended to shift to the industrial sector attracted by higher wages and profits. These tendencies which have led to problems of uncultivated and abandoned land as well as labour shortages in the estate sector, necessitated the need to review the National Agricultural Policy.

2.78. The services sector showed some improvements in response to the acceleration of activities in the key sectors of the economy. The sector has in the past played the supportive role, expanding only in line with the other sectors in the economy. The traditional services such as transportation, freight, insurance, finance and banking have catered primarily for the domestic market with the level of sophistication lagging behind developments on the global front.

2.79. Another area of concern is the need to promote service industries and products which do not depend on the development in the leading sectors, such as the leisure industry, travel and tourism, private health and education and other similar services. In addition, newly emerging areas which command higher value-added such as consultancy, information technology and other professional services are expanding rather slowly. These services are not only required to fulfil domestic demand but

should also be made tradeable so as to further reduce the deficit in the services account of the balance of payments.

2.80. Malaysia's sustained development requires a strong foundation in science and technology and R&D. The annual expenditure on R&D of less than one per cent of GNP does not compare well with other industrializing countries. Furthermore, the involvement of the private sector continues to be small, accounting for only about 15 per cent of total R&D expenditure. In addition, many of the valuable research works from Government research institutions do not reach the private sector for adoption into viable commercial ventures.

Conclusion

2.81. The growth path traversed by the Malaysian economy during the two decades of the OPPI has been remarkable despite the constraints and difficulties in the mid-eighties. The success achieved thus far, is a tribute to all Malaysians who were willing to make sacrifices and strive hard during the difficult and trying times. The years ahead will be even more challenging as the country forges ahead to build upon its past success. This will require a greater sense of dedication, discipline, and self-reliance on the part of every Malaysian so that the process of nation-building and the achievement of national unity can be enhanced.

Bab 3 – Prospek Ekonomi Makro dan Maklumat Sektor

Introduction

3.01. The primary objective of Malaysia's national development has been to improve the standard of living and quality of life of all Malaysians through sustained and rapid economic growth. Growth, however, is influenced by developments on the external and domestic fronts as well as by the policies that are implemented to respond to these challenges. The assessment of Malaysia's development during the Second Outline Perspective Plan (OPP2) period takes into account the developments in the world economy, the determinants of growth within the domestic economy as well as the policy reforms in specific areas for the attainment of the sectoral targets envisaged for the coming decade. The assessment also includes the downside risks that the economy may be exposed to and their impact on key macro-economic aggregates.

Factors Influencing Development Planning

3.02. Development planning in Malaysia is guided by the objectives of the NEP which seek to promote rapid and sustained growth in an environment of social justice and stability. Despite the commendable achievements of the last twenty years in developing the economy and redressing the social imbalances, the problems of poverty and ethnic disparities will continue to remain as a major challenge to development planning. These challenges should be met by strengthening further the growth process so that with an expanding economy, more resources and opportunities can be created to generate incomes and employment and to enable the Government to assist the less advantaged groups in the society.

3.03. An important factor impinging directly on economic development is the open nature of the Malaysian economy. In 1990, exports and imports of goods and non-factor services represented 82 per cent and 80 per cent of GNP, respectively. Consequently, the economy is subjected to instability arising from wide fluctuations in external demand and in the prices for its exports and imports as well as in the inflows of foreign capital. Policy formulation under such circumstances is, therefore, fraught

with uncertainties, thus necessitating a pragmatic and flexible approach in order to cope effectively with these external shocks.

3.04. With suitable policy adjustments, the Government is in a good position to reduce the uncertainties surrounding future growth. A key requirement is to restore efficiency in the economy. To this end, further policy initiatives are essential in accelerating the privatization programme, in strengthening the financial and capital markets, in encouraging private investment and in improving the quality of trained manpower. These measures are important for the expansion of the industrial base. In particular, the investment climate must remain attractive to domestic and foreign investors. It is envisaged that with private investment continuing to expand and given the existing trend towards the dominance of manufactured exports, Malaysia can expect to do well during the OPP2 period, despite the external instabilities in the primary commodities sector.

Global Economic Prospects

3.05. As the world economy enters the last decade of the twentieth century, there still remains several fundamental economic issues that are unresolved and which continue to create uncertainties to the growth prospects of developing countries.

3.06. The recovery of the industrial countries from the recession in the early eighties has been strong and uninterrupted, but the mix of fiscal, monetary and trade policies and the resulting pattern of trade and growth have changed over the years up to 1990. Within this environment, the global prospects in the decade extending to the year 2000 will be influenced by the extent of the commitment on the international front to contain inflation, reduce real interest rates, smoothen the fluctuations in exchange rates, resume the flow of financial resources to developing countries, stem the rising tide of protectionism and reverse the decline in real commodity prices.

3.07. The prospects that the international community will address these issues tively for the mutual benefit of developed and developing countries alike, fairly good. Many countries have already liberalized and restructured their economies. Others are still in the process of undertaking such reforms. twithstanding the differences in the restructuring efforts of the countries concemed, a discernible and encouraging trend

is that most have decided to rely more upon the private sector and market signals to direct the allocation resources. These reforms to increase economic efficiency and flexibility by the governments of many countries, augur well for the prospect of a sustained and steady growth of the world economy in the nineties.

3.08. The opportunities and challenges presented by technical progress and more liberal economic policies have motivated the adoption of structural reforms in many developing and centrally planned economies. If successfully implemented, these reforms should result in a steady and sustained growth of the world economy as it approaches the twenty-first century. For the developing countries in particular, their future growth prospects will depend on the extent to which they can capitalize and adapt to these changes.

3.09. The creation of a unified market by 1992 in Western Europe under the Single European Act would further stimulate growth within the region and lead to an expansion in demand for the exports of developing countries, particularly primary commodity exports. In addition, in order to take advantage of the new opportunities presented, the developing countries must adopt a proactive stance and develop new forms of trading and production arrangements through joint-ventures and integrated production processes to expand their market shares in Western Europe. Although the threat of greater protectionism under a united Europe is a possibility, this is not currently seen to be necessarily adverse and widespread given the liberalizing policies on trade-related matters adopted by many of the members of the European Community (EC).

3.10. The democratization of Eastern Europe and the structural changes being undertaken along free market-based principles also augur well for expanding trade opportunities of developing countries. Many of the developing countries would be in a relatively advantageous position to supply the kind of goods which would initially result from the unleashing of consumer demand in these countries. The strengthening of trade and investment ties with these countries in order to establish a market presence would further help enhance the export and growth prospects of developing countries and offset the concern of negative repercussions from possible diversions of funds away from the traditional developing countries toward the East European region. However, current political developments in the Soviet Union remain

very much uncertain and the manner in which these political problems would be resolved could influence the direction of reforms, not only in the Soviet Union, but also in Eastern Europe.

3.11. The rapid end of the Gulf War has improved the medium-term prospects with regard to world economy and inflation. Contrary to the earlier expectation that oil prices would rise, the oil market has discounted the effects of the War. Despite the uncertainties, the oil market is currently taking an optimistic stance that the Organization of Petroleum Exporting Country (OPEC) will renew their cooperation and coordinate their efforts to strengthen and stabilize oil prices.

3.12. Although some uncertainties continue to cloud the medium-and longterm forecasts for the high income Organization for Economic Cooperation and Development (OECD) countries, the current projections indicate that it would grow at 3 per cent per annum between 1990-2000. This growth scenario augurs well for the sustained growth of the world economy as the OECD countries grew at a slightly lower rate of 2.8 per cent in the eighties. These projections hinge on the premise that the outstanding economic issues are amicably settled and that the current recovery in business profits, investment ratios and labour productivity in the industrial countries is sustained in the foreseeable future.

3.13. There are, however, several downside risks to this forecast. Firstly, differences in the rates of productivity growth among the leading industrial countries, on the one hand, and between the industrial countries and the more successful developing countries, on the other, could lead to potential tension and a consequent rise in protectionism, particularly between the United States, the EC and Japan. Such tendencies are already developing currently and may continue unless real efforts are made to relent and accomodate each other. Secondly, a lack of policy coordination on the monetary front could lead to an escalation of price pressures. Thirdly, currency market fluctuations could further exacerbate the global debt problems and affect the management of structural adjustment programmes in the developing countries. If these risks materialize, then growth is envisaged to be 2.4 per cent per annum or somewhat below the long-term trend of 2.6 per cent. The strategy to soften, if not overcome, the impact of those downside risks is for developing countries to continue

with the efforts to promote greater competitiveness and to establish a niche in the international market.

3.14. The risks and opportunities for the developing countries are also somewhat different for the decade of the nineties. New technologies which are then imported, have to depend on the availability of external financing. The opportunities for the newly industrializing and middle-income countries, including Malaysia are, therefore, seen to be better than those which are debt-ridden or have not undertaken structural adjustments in line with the rapidly changing global economic environment.

Prospects for Growth in the East Asia Region

3.15. The prolonged expansion of the world economy since 1983 and the relatively open international economic system have led to strong growth of the East Asia region. Other important factors include high rates of savings and investment, better domestic macro-economic management, willingness to undertake micro-economic reforms to facilitate necessary structural change, maintenance of the competitiveness of their exports and improvement in nonoil commodity prices.

3.16. The output of the region comprises 23 per cent of the world's output as compared with 17 per cent ten years earlier. In addition, the greatly expanded intraregional trade has contributed to the development of the region at a faster rate than other regions.

3.17. The region's trade performance over the past decade, in particular, had been unparalleled. By the late eighties, the region accounted for 23 per cent of world exports and 18 per cent of world imports, compared with 14 per cent and 15 per cent, respectively, a decade earlier. Growth in exports accounted for over 42 per cent of the increase in world exports in the nineties.

3.18. Given these sound economic developments, the relative position of the East Asia region in the world economy should continue to expand in the nineties. The sheer size of the population of the region amounting to 1,720 million or 33.3 per cent of the world's population further enhance its demand potential. Forecasts for the year 2000 place the GDP of the region at 112 per cent that of the European Economic Community (EEC), compared with around 80 per cent now, and there will be a

continued reduction in the disparity between the per capita GNPs of economies in the region.

3.19. The rapid expansion in the region, particularly the Newly Industrialized Economies of Asia and its growing economic integration and linkages will also create many new opportunities. The ability of regional economies to facilitate structural adjustment in their domestic economies through the implementation of sound macro- and micro-economic policies has been a key element in the region's strong economic performance and a major factor behind their intensified participation in international trade and investment. These trends are anticipated to be further strengthened in the nineties, thus making the economies of the East Asia more adaptable and more efficient. In order to achieve a balance in international economic development, Malaysia will explore in consultations with other countries in the East Asia region, the possibility of establishing an East Asia Economic Group (EAEG) with the view to promoting free trade as well as strengthening its bargaining position in dealing with other regional trade blocs as a group.

Prospects for Growth in the ASEAN Region

3.20. Within the East Asia region, the ASEAN countries as a group have attained one of the fastest economic growth rates by current world standards with a projected average annual growth rate in member countries ranging from 5 to 8 per cent up to the year 2000. Based on present growth rates of the ASEAN population and GNP per capita, the projected GNP for the region would amount to US\$500 - US\$550 billion by the year 2000. This scenario offers tremendous opportunities for business and industrial cooperation not only among its members but with the larger global economy as well.

3.21. A major thrust in the ASEAN region is the rapid change from importsubstitution to export-oriented strategies to promote economic growth. Economically, the region is one of the fastest growing in the world and the investment climate one of the most attractive. The ASEAN region produces about 79 per cent of the world's output of natural rubber, 73 per cent of palm oil, 22 per cent of timber products, 67 per cent of tin and copra, and 60 per cent of copper. This rich natural resource base will continue to be an important asset for the sustained growth of the ASEAN region in the coming

decade. In addition, ASEAN also has an abundant supply of trainable and relatively low cost labour and a growing market of some 315 million people with a strong potential demand for consumer goods, capital goods and technical skills.

3.22. In the next decade, it is envisaged that the ASEAN countries will continue to emphasize the role of both domestic private investment as well as foreign direct investment in providing the impetus to economic growth and spearheading industrialization in their economies. Potentials exist for increased intra-ASEAN cooperation in trade, communications and services that will require a greater commitment by ASEAN members for benefits to be realized. A greater move towards cooperation and market access for intraregional trade will further strengthen the economic base of the region as a whole, in which progress to date has been slow.

Prospects For The Malaysian Economy

3.23. The achievement of the growth and structural transformation targets towards the year 2000 will hinge on the performance of the international economy and Malaysia's ability to position itself to take advantage of the opportunities afforded by the expansion in world trade. While the international economic environment may or may not be conducive for the achievement of these growth targets, pragmatic and flexible policies implemented to reorientate the domestic economy to dynamic external changes, will go a long way towards putting the economy on a stable and sustainable growth path. This will require policy reforms in critical areas of the economy to further enhance efficiency and productivity, as well as to diversify the structure of production in order to deepen and widen the country's industrial base. This would entail an increase in the utilization of the country's resource potential to cater for export markets given that domestic demand alone is insufficient to support this objective. The emphasis would be towards increasing value-added and the greater utilization and processing of domestic natural resources as competitively as possible.

Growth and Structural Transformation of the Economy

3.24. Malaysia's GDP is targeted to grow at 7 per cent in real terms during the OPP2 period based on present projected trends in the world economy, the rich resource endowment of the nation, the reorientation of economic management towards private

sector and market-based dominance, the growing domestic saving and investment rates as well as the greater emphasis being given to technological innovation and human resource development. If the expected growth scenario in the industrial economies fails to materialize, then the growth rate of the Malaysian economy could dip below 7 per cent on account of its openness, and this would consequently have a negative effect on employment targets and the achievement of distributional objectives.

3.25. The leading growth sectors are anticipated to be that Of manufac (10.5 per cent per annum) and services-related activities such as electricity and water (10 per cent), transport, storage and communications (10 per wholesale and retail trade (8.5 per cent), and finance, real estate and business services (8 per cent), as shown in Table 3-1.

3.26. Over the period, the primary sector, namely agriculture and mining, continue to be important to the economy even though its share is anticipated to decline further from 28.1 per cent of GDP in 1990 to 18.3 per cent ir year 2000. In contrast, the share of GDP of the secondary sector compri manufacturing and construction will expand from 30.2 per cent in 1991 reach 38.7 per cent by the year 2000. The tertiary sector is also anticipated to improve further and account for 43 per cent of GDP by the year 2000 shown in Table 3-2. While there will be a slower growth of Goverment services, other services especially tourism-related services, fiinance, insurance, business, technical and consultancy services will constitute new sources of growth.

3.27. The structure of the company that is likely to emerge by the year 2000 is reflective of the sectoral developments that are taking place currently and are projected to continue into the next decade. The secondary sector will grow by more than three times the rate of the primary sector, thus significantly changing each sector's share to GDP by the year 2000.

3.28. Within the priimary sector, agricultural growth is expected to be moderate at 3.5 per cent. Production of palm oil will continue to grow although perhaps not as rapidly as in the past due to the fact that suitable land is becoming more limited. Expansion of cocoa cultivation will be more constrained unless market prospects improve from the depressed level of the past few years. Rubber hectarage will

continue to decline to some extent but the forecast is for production to be sustained through productivity gains. Emphasis is being given in R&D to improve the economic viability of rubber production in order to compete more effectively in the world market. The growing demand for rubberwood in furniture production will provide some further impetus. Nevertheless, the relative share of rubber in agriculture, in terms of value-added, is projected to decline from 13.5 per cent in 1990 to around 12 per cent in the year 2000. The contribution of the forestry sector in terms of log output will decline in line with conservation efforts, and the policy thrust is towards reforestation of the logged-over areas supplemented by forest plantations to ensure renewable resource supply of timber on a sustained yield basis. The policy emphasis is on downstream production, particularly in the areas of furniture and furniture components where Malaysia is well-placed to take advantage of the vast market potentials. The contribution of traditional food crops, including rice and the fishery and livestock sub-sectors, will be low except in fruits, vegetables and aquaculture where rapid gains are expected to be registered.

3.29. The future of the agriculture sector will depend on the introduction of new labour saving technologies, especially in the rubber and oil palm sectors and will require more determined efforts to move the public sector-organised agricultural development schemes towards higher levels of commercialization and private sector participation. Since the possibilities for bringing new land into cultivation are limited, except in Sabah and Sarawak, agricultural output must be raised by increasing productivity. In fact, given the large share of the agriculture sector in the economy, the labour shortages that are being experienced and the land constraints in Peninsular Malaysia, it will be difficult to achieve the 3.5 per cent target envisaged for the coming decade without substantial increases in agricultural productivity, as shown in Table 3-1.

3.30. The production of plantation crops is already efficient by international standards. Still, the rapid progress and investments in new technologies being made by other competing countries require that concerted efforts be made to increase R&D in both upstream and downstream activities and to strengthen the intersectoral linkages between agriculture and industry in order to preserve international competitiveness and increase domestic value-added. The best prospects for

increasing agricultural productivity will come from efforts to modernize the management of the smallholder sector. As such, public sector efforts during the OPP2 period will continue to focus on this sector.

3.31. Agriculture sector development will also be geared to increase food and raw material supplies both for the domestic as well as the external markets. This is to maintain the nation's creditable record of price stability and to ensure the availability of raw materials for the resource-based industries and at the same time reducing the reliance on imported raw materials where economically feasible. The greatest potential for growth in the food and cash crop sub-sector will be in fruits and vegetables where gradual inroads into the export market are beginning to be achieved but still need strong support in R&D in production and post-harvest operations and market promotion.

3.32. Particular attention will be devoted to developing other growth activities. The fishery sub-sector, in particular, continues to offer great potential and yet remains largely unexploited. The lack of a trained and experienced deep sea fishing community, implies that greater emphasis will have to be given to encourage joint-venture projects with foreign maritime nations. In addition, aquaculture projects will also be encouraged either as a full-time or mixed activity with other agriculture given the propensity for such activity to generate high incomes. The concentration in the livestock sub-sector is to fulfil the potential demand offered by the domestic market and where economically feasible, to reach self-sufficiency in products that currently rely unduly on imports to satisfy domestic demand. The development of the forestry subsector will be pursued on a sustained yield management basis to prevent excessive logging and adverse environmental impact from forest degradation. This policy approach also ensures that adequate supplies of forest resources are available for the forest-based industries.

3.33. The mining and quarrying sector will grow at a lower average annual rate of 1.5 per cent in the nineties compared to the annual growth of 5.2 per cent during the Fifth Plan. This projection is based on oil production stabilizing at around 630,000 barrels per day from 1996 onwards in line with the National Depletion Policy. Any growth that is currently envisaged will essentially be provided by the natural gas sub-sector, both in upstream and downstream activities. In terms of the structure of production, the

mining and quarrying sector is anticipated to decline from 9.7 per cent of GDP in 1990 to about 5.7 per cent of GDP in the year 2000, as shown in Table 3-2.

3.34. Some prospects for added dynamism may be expected from the mining sector given the intensified search for new mineral resources. A new mineral development policy is being studied by the Federal and State Governments. Its implementation will be an important step towards providing the necessary incentive for investors to develop the country's potential non-alluvial mineral deposits and for mineral-based industrial activities to be expanded in the country.

3.35. The secondary sector's dominant share in the economy will be brought about by the broader based development of manufacturing activities and the growth of tourism which would lead to greater commercial construction. The expected increase in small- and medium- scale industries (SMIS) from current promotional efforts by the Government and the expansion of the transport subsector in terms of new equipment production to cater for the increased tempo of economic activities will also strengthen the role of the secondary sector.

3.36. The manufacturing sector will provide the leading role for achieving the GDP growth target of 7 per cent. The modernization of plant and machinery to permit the absorption of the new generation of technologies, the liberalization and deregulation measures introduced since the recession of 1985-86 as well as the policy to allow the ringgit to find its equilibrium level have laid a strong foundation for this sector to be the growth leader of the economy. The sector's annual growth rate of 10.5 per cent per annum by far exceeds the growth rate envisaged for all the other sectors of the economy in the nineties. This dynamic growth rate will result in the manufacturing sector's share to GDP growing from 27 per cent in 1990 to 37.2 per cent in the year 2000, as shown in Table 3-2.

3.37. However, the structure of the industrial base remains potentially weak as it is heavily concentrated on two sub-sectors, the electrical and electronics and the textile and apparel sub-sectors. Although these two sub-sectors continue to be the major contributors to output growth and export earnings, there are several issues still to be resolved. Among these issues are the limited linkages both within the sub-sector and with the rest of the economy, notably with the small- and medium-scale industries.

These two sub-sectors are also heavily dependent on imported technology with inadequate R&D activities leading to limited product development and design capabilities. In addition, their international marketing capabilities are also considered inadequate with exports hinging on parent companies' demand and specifications, subcontracting production arrangements and GSP privileges enjoyed by Malaysia. The competitive advantage of both the electric and electronics and the textile and apparel sub-sectors lies in the availability of relatively low cost, productive and skilled labour with comparatively lower wage rates vis-a-vis the NIEs and the developed countries.

3.38. Policy reforms in manufacturing would focus on removing the constraints and rigidities facing the sector so that a more broad-based and diversified growth can take place. These policy reforms will aim at widening and deepening the industrial base, leading to higher value-added products, and increased linkages with the SMIS. The latter should perform both a supportive and integrative role in industrial development. The fiscal and tariff-related policies will also be reviewed to ensure the development of an efficient and competitive industrial sector. Factor price distortions arising from the prolonged provision of tariff and non-tariff protection will only promote noncompetitive high cost producers with limited scale economies. There should also be a reduction in the continuing dependence on imported raw materials and components with the gradual development of backward and forward industrial linkages domestically. To diversify the manufacturing sector, efforts will also be undertaken to promote the integration of domestic-oriented industries with the export sector and the greater expansion of resource-based industries especially for the export market.

3.39. With the added dynamism of the primary and secondary sectors, the tertiary sector will also witness similar vitality. However, the domestic services sector is still relatively small compared to those of other countries in a similar stage of development as Malaysia. Despite its long existence in an essentially export-oriented economy, it has continued to remain a lagging sector. This is premised on the fact that in terms of the tertiary sector's share to GDP, it will grow only marginally from about 41.7 per cent in 1990 to about 43 per cent in the year 2000, as shown in Table 3-2. Yet, given the rapid growth of the Malaysian economy, this sector will assume

increasing importance in terms of its potential contribution to GDP growth, employment generation and the reduction of the large services trade deficit. The Government will attempt to inject greater dynamism to the services sector through policy reforms and other supportive investments that promote the sector as a leading rather than a lagging sector.

3.40. The focus of policy will be to absorb the newly emerging technological developments in the various fields of communications, data processing, new educational modes and new forms of foreign investment such as joint-ventures, franchises, management contracts and licencing. In addition, the Government has identified tourism and shipping as sectors having the potential for growth and a variety of incentives have already been provided for greater private sector participation. The privatization programme will also provide new opportunities for the growth of the services sector as a whole.

Private Sector Expenditures

3.41. Private sector expenditures constituting private investment and private consumption will be the driving force of the economy during the OPP2 period. This is consistent with the overall policy of encouraging the private sector to play the lead role in forging economic growth with the public sector playing a reduced but supportive role to private entrepreneurship. Except in certain strategic industries, the Government will reduce its involvement in productive activities that compete directly with the private sector. This will facilitate economic efficiency, promote the development of the free market system and reduce strains on public sector finances. Public investments in infrastructure, industrial and social amenities will be to facilitate and accelerate the development of productive industries that will help sustain growth and offset declines in contributions anticipated by the non-renewable resource sectors, particularly petroleum, in the future.

3.42. Private Investment. Private investment in real terms is anticipated to increase by about 8 per cent per annum during the nineties compared with 9.4 per cent per annum during the First Outline Perspective Plan (OPPI) period. Private investment in nominal terms, however, will have to increase four-fold from \$26 billion in 1990 to about \$104 billion in the year 2000. Private investment in nominal terms during the

seventies grew by a much higher annual rate of 21.4 per cent. Since undertaking the structural adjustment programmes in the eighties and with a continuance of the renewed investor interests which saw nominal private investment flows almost double over the last three years of the eighties, the realization of the 14.8 per cent annual growth rate of nominal private investment, therefore, seems to be a feasible target for the OPP2 period.

3.43. Investments in the agriculture and mining sectors are anticipated to be less dynamic compared with past trends. The bulk of new investments, therefore, has to be generated in the manufacturing, construction and transportation sectors with manufacturing attracting the largest share of investment flows especially from foreign sources. The higher rate of private investment flows into manufacturing, construction, transport and other services can be expected on several grounds. Firstly, the more mature Asian economies, notably Japan, Taiwan and Korea have sought to overcome their problems associated with strong currencies and rising labour costs by relocating manufacturing capacity overseas. Secondly, Malaysia with its relatively well developed and diversified infrastructure base and political stability is in a good position to attract such investment flows in the immediate years given structural constraints currently faced by the other ASEAN countries. It is crucial for Malaysia to capitalize on this advantage and build upon it with good investments in physical infrastructure and human resources to remain competitive over the coming decade. Thirdly, with tourism showing a strong growth trend, investments in related services and commercial construction such as hotels and tourist resorts are anticipated to continue throughout the nineties.

3.44. Private Consumption. Private consumption growth in real terms is also anticipated to be strong, increasing at an annual rate of around 7.2 per cent, compared with the 6.3 per cent increase that was achieved during the OPPI period, as shown in Table 3-3. The growth in disposable incomes especially among the lower and middle-income groups as well as the increasing standard of living from the improvements in social services and public utilities provided by the Government is anticipated to strengthen private consumption activity. The increased monetization of the economy through a wide array of financial instruments is also anticipated to provide a further impetus to consumer demand. A combination of these factors will

work towards fostering an economy that will become mature and increasingly driven by domestic demand.

Structure of Exports and Imports

3.45. Over the next decade, the structure of exports is anticipated to change significantly. Export of primary commodities, both agricultural and mineral products, will continue to grow but its share in terms of the value of total exports will witness a decline as manufacturing exports grow faster. However, even though the share of agricultural commodity exports will decline, progress in the domestic processing of agricultural products into processed goods will lead to an increase in exports of agro-based manufactured products. Within the primary commodities sector, palm oil, petroleum and LNG offer the best prospects for boosting export earnings. On the other hand, exports of manufactured goods will become increasingly important with its share expanding from about 60.4 per cent of the value of total exports in 1990 to 81.8 per cent in the year 2000, as shown in Table 3-4. Within manufacturing, the high growth sectors are anticipated to be food processing, industrial chemicals, textiles and clothing, rubber products and non-metallic mineral products. The growth of the electrical machinery and equipment sub-sector is anticipated to slow down relative to other sectors within manufacturing. Nevertheless, this sub-sector will continue to be the major contributor to manufactured exports in terms of export value. A structural shift in the sector to higher value-added products using new technologies and production processes is also anticipated. This will deepen the industrial base and place a greater demand for skilled labour.

3.46. On the import side, the rise in total investment in the nineties averaging 13 per cent per annum in nominal terms, together with the increased pace of manufacturing activities, is anticipated to increase the share of capital and intermediate goods imports and decrease the share of consumption goods. Such a trend was already evident in the eighties and will continue into the OPP2 period. Given that public investment will continue to grow in absolute terms and given its high import intensity, the upward pressure on capital goods imports will continue to prevail for most of the nineties. From a policy perspective, greater attention will need to be given to the domestic production of intermediate goods whose share in total imports has grown from 35.3 per cent in 1970 to around 41.5 per cent in 1990.

Inflation

3.47. Inflation has moderately accelerated over the last three years. This is due to the higher costs of imports, upward wage adjustments, as well as the increase in aggregate domestic demand which accompanied the recovery in the economy.

3.48. The import price index during the OPP2 period is anticipated to increase at an average annual rate of 5.2 per cent. The effect on the domestic price level will depend on the stance of monetary policy, movement of the ringgit, fiscal policy, the wage level as well as the intensity of import demand. With fiscal deficits strictly controlled and monetary policy carefully balanced between the need to preserve international competitiveness and the need to dampen inflationary pressures, and with efforts being made to keep wage increases in line with productivity improvements, price increases on the average are anticipated not to exceed the previous levels.

Employment

3.49. The growth of labour supply during the OPP2 period is anticipated to be 2.9 per cent per annum. With GDP projected to grow at 7 per cent per annum and labour demand growing by an annual rate of 3.1 per cent, unemployment will decline to 4 per cent by the year 2000. The main sources of employment growth will be in the manufacturing and non-government services sectors with rates ranging between 5.4 to 4.8 per cent, while progress in rural industrialization will also contribute to labour absorption in the rural sector. An increasing number of the unemployed will be of the frictional category as labour force entrants search for higher wage employment, which will require improvements in the dissemination of labour market information to facilitate the clearing of the labour market. ly side will also be on the development of human resources and adoption of education and training curricula that are market-oriented to reduce structural unemployment as well as encourage greater labour mobility, both horizontally and vertically, to increase the rate of labour absorption by the employing sectors.

Finance Development

Public Finance

3.50. The consolidation of public sector finances that began in 1983 will be continued into the OPP2 period. This is consistent with the reduced role of the public sector in the economy as well as the need to reduce the size of the overall deficit within sustainable limits. The share of debt-servicing in operating expenditure will be progressively reduced from the current level of about 26 per cent, while the overall deficit of the public sector is targeted to be brought down to an average of 3.6 per cent of GNP during the OPP2 period compared with the 4.2 per cent experienced during the Fifth Plan period and 8.7 per cent during the OPPI period, as shown in Table 3-5.

3.51. Development expenditure of the public sector for the coming decade will amount to \$224 billion compared with \$173.9 billion during the OPPI period. Of this total, \$126 billion or 56.3 per cent will constitute the development expenditure of the Federal Government, as shown in Table 3-5 and Table 3-6. Although in current terms the absolute level of development expenditure of the public sector is larger, its real value, adjusted for inflation, will be lower than that during the eighties. Also, in terms of ratio to GNP, it constitutes only 9.8 per cent compared with about 16.8 per cent during the OPPI period. This is consistent with the reduced presence of the public sector within the economy envisaged for the OPP2 period.

3.52. The current easing of the fiscal expenditure policy, however, is necessary to rectify some bottlenecks in infrastructural facilities to permit the continued expansion of the private sector. Public development expenditure will focus mainly on the provision of physical and social infrastructures in support of the growing requirements of the economy and to facilitate the increasing role to be played by the private sector. Public investment in activities that compete directly with the private sector will therefore be reduced. Security and defence expenditure in respect of maritime areas will be geared to meet the requirements of surveillance, resource assessment and the protection of the Exclusive Economic Zone. Project selection will emphasize efficiency considerations and aim at improving the quality of public investment. To the extent possible, direct and indirect subsidies and transfers that do not contribute

significantly towards increasing productivity will be reduced. Where feasible, user-charges will either be increased or introduced based on equity and efficiency considerations.

3.53. The higher level of development expenditure in absolute terms is necessary to enable the public sector to play a more effective role in implementing the growth and equity objectives under the New Development Policy (NDP). The higher priorities accorded to human resource development and the reduction in regional imbalances will require increased expenditure in social services and physical infrastructure in the less developed states. Further, to support the development of the private sector, Government expenditure on transport, communications and utilities will need to be expanded both to increase capacity as well as to upgrade and maintain existing facilities.

3.54. Current surpluses of the public sector are anticipated to finance about 63 per cent of the public sector development expenditure. This compares favourably with the performance under the OPPI period when current surpluses of \$83.7 billion only financed 48 per cent of the public sector development expenditure. This is also reflective of the Government fiscal stance of increasingly relying on current surpluses to finance development expenditure both through strengthening the revenue collection effort of the Federal Government as well as increasing the profitability of the non-financial public enterprises. The current surplus over the OPP2 period, already takes into account the increase in operating expenditure resulting from the increase in development expenditure.

3.55. The overall deficit of about \$82.5 billion or 3.6 per cent of GNP envisaged during the OPP2 period is expected to be financed mostly from domestic borrowings of which the EPF will constitute a major source. Only about a quarter of the domestic borrowing will come from the capital market, thus ensuring that there will be sufficient funds for private sector activities. As the domestic resource situation is expected to be adequate to finance both public and private investments, there will be less need for foreign borrowing. This is again reflective of the Government fiscal posture of relying on internally generated savings to finance the development effort.

3.56. From a policy perspective, added attention will be given to the revenue side of public sector finances, especially that of the Federal Government, given the continued decline in tax elasticity as well as the relatively large share of non-tax and non-revenue items in the tax structure, as shown in Table 3-7. Total revenue of the public sector is anticipated to decline from an average of 36.8 per cent of GNP during the OPPI period to average only 26 per cent during the OPP2 period, as shown in Table 3-5. Reforming the tax system and structure to be more broad-based, and to be income and expenditure elastic will result in better fiscal balance in the coming decade.

Balance Of Payments

3.57. The trade surplus has continued to show a declining trend from the peak reached in 1987 due to the growth rate of imports outpacing the growth in exports. This in part reflects the higher level of private investment activity and the consequent increase in capital and intermediate goods imports. With private investment anticipated to remain strong throughout the period, the current account balance could come under some pressure. However, the current account of the balance of payments is expected to be in surplus in the vicinity of about 0.6 per cent of GNP. The greater sourcing of intermediate goods from domestic industries as well as switching imports away from countries with appreciating currencies will minimize the rise in import cost. These, coupled with the increasing value-added from manufacturing, will enhance exports and contribute to an improvement in the level of this surplus.

3.58. While the trade surplus is expected to remain favourable at 6 per cent of GNP during the OPP2 period compared with 9.4 per cent during the period of the OPPI, the deficit in the services account is anticipated to remain large. The two main items expected to account for this situation are freight and insurance and net investment income, as shown in Table 3-8.

3.59. The policy focus during the OPP2 period will be to strengthen the services sector in order to enhance its contribution to GDP growth and employment as well as to reduce the large services deficit. The traditional net deficit on travel and education spending, however, is anticipated to be gradually reduced with the growth of tourism

and the reduced rate of spending on education abroad as a result of greater efforts to increase higher education opportunities within the country both by the public as well as the private sector and through joint cooperation programmes between universities here and abroad. The freight and insurance account will continue to be in deficit given the higher level of economic activities and the long time lag needed for the shipping, air transport and insurance industries to play a bigger role in the economy. Thus, there is an urgent need to improve substantially the required infrastructure in these industries.

3.60. In view of the growing deficit in investment income in the balance of payments which can be attributed to the rapid expansion of foreign direct investment over the years, policies relating to private investment should now begin to focus on strengthening domestic investment. In addition, there is also an increasing need to pay greater attention to the quality of foreign investments coming into the country rather than quantity alone. A greater selectivity in approvals of foreign investment applications will, therefore, help strengthen both the industrial sector as well as slow down the repatriation of profits abroad including encouraging reinvestments domestically.

3.61. An appropriate balance of payments policy should aim at creating a balanced profile over the medium term. It is important that the exchange rate be closely maintained at its equilibrium level to balance the need to keep exports competitive, yet at the same time to contain any surge in imported inflation. The selection of the right mix of fiscal and monetary policies is, therefore, important to promote capital formation, export competitiveness and at the same time restrict growth of domestic inflation. The overall balance of payments policy during the OPP2 period will be designed after taking these relevant factors into consideration.

Saving-Investment Gap

3.62. The profile of the saving-investment gap during the OPP2 period augurs well for the sustained growth of the Malaysian economy. Savings as a percentage of GNP is estimated to average 35.2 per cent while investment is estimated at 34.6 per cent, as shown in Table 3-9. In terms of the public and private sector dichotomy, the public sector is estimated to run a saving- investment gap averaging 2.2 per cent of GNP

during the OPP2 period. The private sector, on the other hand, is anticipated to have a surplus of 2.8 per cent of GNP. Given the higher rate of savings compared with investment for the economy as a whole, there is therefore some scope for greater fiscal and monetary intervention to provide the supportive investments in infrastructure that will facilitate an increase in the level of private investment. From a policy perspective, the role of Government would be to translate the high level of savings into productive investment, especially in manufacturing.

Framework For Future Policy-Making

3.36. The Government will concentrate in areas where the market cannot function efficiently or in the provision of public goods such as health, education, defence and security as well as bringing about a better distribution of economic opportunities. The focus of Government policy will be on the maintenance of an appropriate balance of fiscal, monetary and trade policies, extending support for revitalizing the primary sector, expanding and upgrading the physical and social infrastructure to avoid bottlenecks and interruptions in production, and improving the business environment, particularly for the small and medium-scale businesses.

3.64. The attainment of the GDP growth target of 7 per cent per annum during the OPP2 period is feasible in the light of the Government's policies to strengthen efficiency in the economy, encourage private investment, accelerate the privatization programme, and improve the quality of trained manpower. However, the downside risks to the achievement of this growth prospect must also be fully recognized.

3.65. At the present moment, this risk is posed by the exposure of the Malaysian economy to destabilising external macroeconomic influences. Strong and unexpected changes in monetary policies abroad which could affect currency and interest rates, and increased protectionism and inward-looking trade policies may trigger a world recession and adversely affect investment and consumption worldwide. The developing countries may, therefore, have to face deteriorating exports, commodity prices and terms of trade and high indebtedness. Although the Malaysian economy is now more resilient and diversified, such developments in the world economy will definitely affect the Malaysian economy. Renewed efforts at structural reforms aimed at improving further the efficiency and productivity and effective macro policy

management, including that of the exchange rate, must be continued to minimize the effects of external shocks on the economy.

3.66. In order to achieve the planning targets set under the OPP2, as shown in Table 3-10, a well-coordinated framework for future policy-making will be undertaken in the areas described in the following paragraphs.

Improvement of Economic Efficiency

3.67. The policy to improve efficiency will be aimed at increasing the competitiveness of the industrial sector and at promoting greater neutrality between the use of labour and capital in the production process. Accelerating the privatization programme will help bring about greater stability in public expenditures and reduce fiscal deficits which will in turn allow for more efficient public sector. Intensifying cooperation between the public and private sectors on industrial restructuring will eliminate the distortions in the capital and labour markets, channel a larger share of savings towards productive investment and speed up the industrialization process. The reduction or removal of excessive levels of tariff protection will bring about a better allocation of resources within the economy and enhance the competitiveness of domestic industries. Further reform of the tax and incentive systems will also help to promote reinvestment, strengthen Government revenues as well as achieve the distributional objectives in a more efficient manner.

3.68. One major factor in industrial competitiveness is greater use of technology. The development of a strong domestic technological capability is crucial in this respect. Appropriate policy and institutional reforms aimed at strengthening science and technology, enhancing R&D and improving its management, and fostering stronger cooperation in technology development between industry, on one hand, and the universities and research institutions, on the other, will be undertaken. This will promote technological capability of both the public and private sectors.

Policies to Support Private Investment

3.69. Policies for promoting private investment have been aimed at increasing the share of profits in national income and keeping wage increases in line with

productivity increases in order to enhance international competitiveness. These policies will be strengthened by reorientating public expenditures more towards physical and social infrastructure development. Efforts to reduce the regulated prices of industrial raw materials, in order to lower the cost of production will also be undertaken. Further improvement of administrative procedures will help strengthen business confidence as well as increase the attractiveness of Malaysia as a centre for investment in the region. Measures to further strengthen the financial and capital markets will help to mobilize the resources of provident funds and insurance companies to finance private investment growth.

Human Resource Development

3.70. As development proceeds and industrial growth becomes more technologically driven, Malaysia will require a larger pool of skilled manpower to meet the demands of industry. Policies to enhance human development to meet the needs of the rapidly growing manufacturing sector and an expanding services sector will be given priority attention over the coming decade. Policy reform in this area will include measures to eliminate skill shortages in specific sectors, to permit more market-oriented industrial training programmes to be undertaken and to strengthen the labour market information system. These measures, if successfully implemented will in turn allow for the greater mobility of labour. Private sector enterprises will be encouraged to provide greater on-the-job training, so that changes in the structure of output are accommodated by retraining of workers and not through retrenchment. In addition, a closer partnership between the public and private sectors in formulating training courses will also be promoted. Greater efforts will be made to ensure that the education system keeps abreast of the changing demands of the market place. A closer monitoring of the education and training systems and efforts to upgrade curricula will be undertaken in order to create a better matching of skills required by industry with supply from training institutions.

3.71. In a tight labour market situation, emphasis should be placed on producing a labour force that is well-trained, easily adaptable, self-reliant and flexible to meet the demands of the market-place rather than on the creation of low-productivity and unsustainable employment through merely increasing aggregate domestic demand. In addition, efforts to increase wage flexibility based on supply and demand factors

are equally important. The continuation of such efforts will have a significant impact in reducing unemployment rates, creating new job opportunities and improving overall competitiveness of the economy.

Policies to Stabilize Public Debt, Deficits and Spending

3.72. Moderate and steady growth that strikes an equitable balance between growth and distributional objectives is far more preferable to a high growth rate that has to be forged with high levels of public expenditure and the consequent increase in debt-service obligations in the short-run. Adverse external demand impulses must largely be permitted to be transmitted to all levels of the economy to ensure speedy adjustment rather than the public sector alone having to shoulder this burden. Such a policy stance will also help ensure that factor market distortions are not perpetuated and the cyclical swings, that an open economy like Malaysia is subjected to, are not accentuated.

3.73. From an overall macro-economic perspective, the Government policy is to nurture a private sector-led export-oriented economy. In order to preserve business confidence, policy actions by the Government must be consistent with this overall policy objective. An expansionary fiscal stance, especially into commercial activities adopted to forge higher growth rates will, therefore, be contrary to the current policies of the Government to further consolidate its budgetary position and reduce debt level through prudent management of public finances.

3.74. Policies aimed at consolidating public sector finances and preserving Malaysia's credit-worthiness in international capital markets will, therefore, continue to focus on reducing subsidies, strengthening the revenue base, and increasing the effectiveness of tax administration. Increasing use of user-charges and initiating greater self-financing in the funding of specific programmes will also be encouraged. A concerted move towards reducing the reliance on external market borrowing is important to reduce the exposure of the nation to vagaries of fluctuating interest rates in the international financial markets.

3.75. The implementation of policies in the above four areas in an integrated and well-coordinated manner will determine the degree of success that will be achieved in meeting both growth as well as distributional objectives in the nineties.

Conclusion

3.76. The achievement of the targeted 7 per cent growth for the Malaysian economy over the decade ending in the year 2000 will be dependent, not only on the continued progress of adjustments by the global economy, but more importantly on the responsiveness and ability of the domestic economy to align its structure of production to the changing world demand and the opportunities that arise with it. At the same time, progress in deepening and diversifying the production base will help increase the resilience of the economy to insulate itself against external economic shocks.

3.77. The growth policies over the next decade will rely more on an enhanced role of the private sector with appropriate support policies by the public sector. The achievements of growth and distributional objectives are intertwined and as such the policies that balance the two objectives should be implemented in an effective manner so as to complement and reinforce one another. The socioeconomic progress that has already been achieved and the social and political stability experienced by the nation, during the last two decades, have strengthened the foundation and the prospect for sustained growth of the Malaysian economy.

Bab 4 – Dasar-dasar untuk Matlamat Pengagihan

Introduction

4.01. The New Economic Policy (NEP) was implemented during the last twenty years with the aim of promoting national unity through the eradication of poverty among all Malaysians and the restructuring of society so as to eliminate the identification of race with economic function. Contrary to the belief in some quarters that its implementation had retarded economic growth, the NEP provided the required socio-political stability to attract foreign investments and to enable the Government to develop the country. It has brought about significant progress in the alleviation of poverty among the various ethnic groups in all areas of the country. Furthermore, substantial improvements were also made in restructuring the Malaysian society, thereby contributing towards a change in the ethnic pattern of participation in the economy, with more Bumiputera being represented in the modern and urban sectors of the economy.

4.02. The efforts to further improve income distribution, eradicate poverty and restructure society will be continued in the post-1990 period through the implementation of the New Development Policy (NDP). The NDP is a broader policy framework which has the overall objective of attaining a balanced development based on the foundation laid down by the NEP to achieve the overriding goal of national unity. It builds upon the successes that have already been achieved in the past and takes into account new issues and concerns which have emerged to ensure that it is implemented in a manner which meets with the aspirations of all Malaysians for a just and equitable distribution of the benefits of economic development, as envisaged in the Rukunegara.

Existing Socio-Economic Imbalances

4.03. All communities and regions have benefitted from the growth of the economy and the substantial improvements in income and living standards. This has led to a marked reduction in poverty and a higher level of Bumiputera participation in the modern sectors of the economy. The expansionary policies adopted by the Government in the seventies and the liberalization and deregulation of the economy

since the mid-eighties have helped to stimulate growth and provide the private sector with opportunities to expand business activities, in line with the Government's policies to attain the distributional objectives of the NEP within the context of an expanding economy.

4.04. A remarkable achievement of the NEP was that it significantly improved income distribution without adversely affecting growth. In fact, the economy was able to achieve a high rate of economic growth during the 1971-90 period on account of the social and political stability created by the NEP. The reduction in income inequality is evident from the lowering of the Gini coefficient from 0.513 in 1970 to 0.445 in 1990 for all households. Another indicator of the improving income distribution is that the mean income of the bottom 40 per cent of households has been increasing at a faster rate than that of the middle and higher income groups. As a result, the differences in income between the highest 20 per cent and the lowest 40 per cent income groups have narrowed.

4.05. The achievements in reducing income inequalities reflect the significant progress made in reducing the national incidence of poverty from 52.4 per cent in 1970 to 17.1 per cent in 1990. This substantial reduction in poverty was only partly due to improvements in productivity and income levels among the target groups such as rubber smallholders, estate workers, padi farmers and fishermen. The main source of progress in reducing poverty especially during the eighties came from the growth of the economy which created expanding employment opportunities in the non-traditional sectors and enabled the poor to diversify their sources of income, thereby reducing their dependence on traditional low income and low productivity activities. As rural households gained more access to these new opportunities and with the tightening labour market conditions resulting in lower unemployment, wage incomes have expanded to account for a rising share of household incomes. The shift towards wage employment among rural households constituted the most important factor accounting for the reduction of poverty in the country.

4.06. The increasing shift towards the modern sectors as sources of employment and income was clearly indicated by the rising rates of labour force participation among the rural population, the growing number of Malay women seeking employment, especially in the electronic and textile industries, and the large

migration of rural labour into the major urban centres. As a result, the share of Bumiputera employment in manufacturing and services increased substantially from 37.5 per cent in 1970 to 51.4 per cent in 1990, contributing towards the substantial improvements in income levels among the Bumiputera, the restructuring of employment and the reduction of ethnic imbalances in the economy.

4.07 The programmes under the NEP which have had the greatest impact in bringing about these changes were education, health, rural roads and communication. The vast expenditures allocated under successive development plans to these programmes as well as to social amenities such as electricity and water have played a major role in raising the employability and social mobility of the labour force and enlarging the capacity of the poor to seek alternative source of income. Education, in particular, has been the most important factor enabling the Bumiputera to enter into the mainstream of economic activities in the private sector and increasing their participation in the commercial and industrial sectors.

Income Distribution and Poverty

4.08. Notwithstanding the significant achievements made under the NEP to improve income distribution, it must be noted that the income gaps and socio-economic imbalances in the country are still wide in terms of income and ethnic groups as well as regions. The income share of the bottom 40 per cent of the households was 14.5 per cent compared with 50.3 per cent for the top 20 per cent of the households in 1990. In terms of income differences in Peninsular Malaysia, this means a mean monthly household income of \$421 for the bottom) per cent compared with \$2,924 for the top 20 per cent. In Sabah and Sarawak, a similar comparison shows a disparity between the low and high income groups by about seven times.

4.09. In ethnic terms, although the overall ratio of Bumiputera to Chinese mean income has improved from about 44 per cent in 1970 to 59 per cent in 1990, the inter-ethnic income disparity remains high in certain sectors and occupations. In the manufacturing sector, the mean household income of the Bumiputera and non-Bumiputera in 1990 is \$958 and \$1,635, respectively, compared with \$609 and \$959 in the agriculture sector. In the professional and technical jobs, Bumiputera had a

mean income of \$1,919 compared with \$2,940 for the non-Bumiputera. In the services job, the disparity was about twice.

4.10. Intraethnic income disparities are still sizeable, with inequality among the Bumiputera being higher relative to that of the non-Bumiputera. The Gini coefficient in 1990 for the Bumiputera was 0.428 while that for the Chinese was 0.423 and the Indians 0.394. As another comparison, whilst the mean income of the top 20 per cent of the Chinese households was about 8.6 times the income of the bottom 20 per cent, the disparity between the top and the bottom income households for the Bumiputera was about 9.2 times.

4.11. Although rural-urban income differentials have narrowed, the average rural income in Peninsular Malaysia represents only about 58 per cent of the urban income in 1990, indicating that the gap was still wide. In Sabah and Sarawak, rural mean income as a ratio of urban income was about 60 per cent and 54 per cent, respectively.

4.12. The above analysis essentially indicates that improvement of income distribution in the last two decades have not occurred evenly for all the three major ethnic groups. The explanation for this trend is mainly found in the differences in human skills and ownership of assets. There were also differences in access to capital as well as in educational attainment and the employment pattern, both sectorally and occupationally. The pattern of employment was strongly influenced by the level of educational attainment with the Bumiputera being more concentrated in the lower than in the higher occupational categories. However, as much progress has been made over the last 20 years to improve the educational level of Bumiputera, the wide disparities in the educational attainment among the younger age cohorts across ethnic groups are narrowing.

4.13. Absolute poverty in the country is measured on the basis of a poverty line income (PLI). The PLI takes into account the minimum requirements for food, clothing and shelter, and other regular expenditures that are necessary to maintain a household in decent standards of living. Using the PLI, the incidence of poverty is directly estimated by observing the number of households whose incomes are below the PLI. For 1990, the poverty line was \$370 per month for a household size of 5.1 in

Peninsular Malaysia, \$544 for a household size of 5.4 in Sabah and \$452 for a household size of 5.2 in Sarawak.

4.14. In line with the general increases in income and standards of living, as reflected in the growth of real mean income of the bottom 40 per cent of the household which increased from about \$76 to \$176 during 1970-90, the incidence of poverty in Peninsular Malaysia declined to 15 per cent in 1990 from about 49.3 per cent in 1970, better than the First Outline Perspective Plan (OPPI) target of 16.7 per cent. In Sabah and Sarawak, the incidence of poverty declined to 34.3 per cent and 21 per cent, respectively. In terms of hardcore poverty, defined as those households receiving less than half of the poverty line income, the number involved has been reduced to about 143,100 households or 4 per cent of total households. This level of poverty is low by international standards and is not comparable to the extreme forms of poverty found in some countries. The hardcore poor include households who have been by-passed by the development process either because they are too poor, too old, or live in areas too remote to benefit from the development programmes.

4.15. While the incidence of poverty has declined for all states, poverty was still high in certain states. Terengganu had the highest incidence of poverty at about 31 per cent in 1990, despite its Gross Domestic Product (GDP) per capita being among the highest in Malaysia because of the contribution from petroleum. In Kedah and Kelantan the incidence of poverty was about 30 per cent. In Sabah, about 34 per cent of the households lived in poverty in 1990, while in Sarawak, the incidence of poverty was 21 per cent. Wilayah Persekutuan Kuala Lumpur and Selangor, on the other hand, continued to have the lowest percentage of poor households estimated at less than 10 per cent.

4.16. Although accessibility to basic services among low income households has increased during the OPPI period the progress has not been evenly shared among the states. Thus, in 1990, while about 82 per cent of the poor households in Peninsular Malaysia had access to electricity, in Sabah and Sarawak 47 per cent and 50 per cent of households, respectively, had such access. With regard to piped water, the coverage was relatively low, benefitting only about 57 per cent, 20 per cent and 15 per cent of the total poor households in Peninsular Malaysia, Sabah and Sarawak, respectively. Accessibility to educational facilities continued to increase

among the poor with about 94 per cent of poor households in Peninsular Malaysia, 85 per cent in Sabah and 64 per cent in Sarawak receiving textbook assistance.

4.17. In terms of access to health care, about 71 per cent of the poor in Peninsular Malaysia, 35 per cent in Sabah and 20 per cent in Sarawak were located within 5 kilometres of rural clinics. In this connection, in 1986, the Government identified isolated cases of acute malnutrition among children where 12,000 were severely underweight. They were mostly found in the states of Sabah, Sarawak, Kedah and Kelantan. By 1990, significant progress was made in solving the problem, particularly through more focussed food and nutrition programmes for children, regular visits and consultative services extended by the medical staff.

Restructuring of Employment Pattern

4.18. Despite the progress made under the NEP to restructuring the employment pattern so as to reflect the ethnic composition of the population, imbalances in employment continue to exist at the professional and managerial as well as technical and skilled occupations. Although Bumiputera employment in the manufacturing sector has increased to about 50.3 per cent of the total in 1990, they were more concentrated at the lower levels of occupation. Bumiputera accounted for only about 26 per cent of the total professional and managerial employees and about 36 per cent of the total technical and supervisory employees in the sector.

4.19. Overall, Bumiputera employment in the professional and technical category was about 60.3 per cent but nearly half of them were in the nursing and teaching professions. In certain high-paying registered professional jobs such as architects, accountants and doctors, the Bumiputera only accounted for 29 per cent of the total in 1990. In the administrative and managerial category, the share of the Bumiputera was about 33.3 per cent compared with about 58.7 per cent for the Chinese and 5.3 per cent for the Indians. This unbalanced pattern of occupational structure is evident in the private sector where most jobs were found. The share of Bumiputera in managerial occupations in major industries, such as plantation, mining, construction, manufacturing and financial services, improved from 11 per cent to 27.9 per cent, while that of the Indians remained at about 6.4 per cent, indicating a wide scope for improving the employment pattern in the private sector.

4.20. A major problem in employment restructuring was the supply of skilled manpower in the various fields. Despite sizeable public investments in education, the availability of qualified and skilled Bumiputera professionals and workers was inadequate, in part, due to the limited success of Bumiputera students, particularly those from rural areas on account of their high attrition rate compared to the non-Bumiputera. This was due to various factors, namely, limited accessibility to modern educational facilities and quality educational, low family income, lack of proper nutrition and social environment which is not conducive to effective learning.

Restructuring of Ownership in the Corporate Sector

4.21 In 1990, as shown in Table 4-1, the Bumiputera share of corporate equity amounted to about \$22,298 million or 20.3 per cent of the total share in the corporate sector. Under the non-Bumiputera category, the Chinese owned about \$49,300 million or 44.9 per cent while the Indians owned about 1,000 million or 1 per cent. Foreigners owned about \$27,500 million or 25.1 per cent. The nominee interest accounted for \$9,220 million or 8.4 per cent.

4.22. Although the Bumiputera have not achieved the 30 per cent equity ownership target by 1990, the progress made by them has been substantial. In terms of growth rate, Bumiputera equity ownership grew by an average of 29.6 per cent per annum over the OPPI period, higher than the average of 16.3 per cent for the corporate sector as a whole. This growth was contributed mainly by the trust agencies and institutions such as the National Unit Trust Scheme (ASN). It was this growing equity participation by the agencies and institutions which enabled the Bumiputera to have larger control in the corporate sector and which provided opportunities for them to be represented at the management and decision making levels in companies.

4.23. Of the amount under Bumiputera ownership, about \$13,300 million was owned by the trust agencies and institutions involved in mobilizing Bumiputera funds such as the ASN, MARA Unit Trust, Muslim Pilgrim Saving and Management Authority (LUTH) and cooperatives, and the balance about \$9,000. million, by Bumiputera as direct investors. The amount held by Bumiputera ps direct investors represented about 8.2 per cent of the total equity. In this connection, of the total newly issued

shares registered with the Registrar of Companies during 1981-90, only about 6 per cent was taken up by Bumiputera individuals.

4.24. The shareholdings owned by Bumiputera individuals and the trust agencies were mainly concentrated in plantation, mining, banking and finance, with their shares ranging from 11 per cent to 35 per cent. This provided them a certain degree of control and ownership in some major companies in these sectors.

4.25. The Permodalan Nasional Berhad (PNB) has become a leading agency for Bumiputera equity ownership. Since 1981, the ASN scheme has attracted a total of 2.5 million Bumiputera investors and accumulated a total of \$1 1,000 million Bumiputera capital. The distribution of the investors, however, indicated that the pattern of ownership was skewed. While on average, about 8 per cent of the investors held more than 10,000 units in the Scheme, the majority of the subscribers held on average about 500 units. This reflected the low level of savings among the majority of the Bumiputera.

Creation of Bumiputera Commercial and Industrial Community (BCIC)

4.26. The development of a viable BCIC was a major goal of the NEP. However, the performance indicates that this has been an area where the NEP was least successful, particularly in industrial activities such as small and medium scale industries (SMIS) and other manufacturing activities. Although there has been an increase in the number of establishments owned by Bumiputera in both the corporate and non-corporate sectors, the number remained small both in terms of size and turnover relative to those of the non-Bumiputera. In the service industries, such as wholesale and retail trade, shipping services, hotel and lodging, transportation and small-scale industries, while their ownership of establishments increased to about 34 per cent by 1988, the share of the total business turnover accruing to them was less than 21 per cent.

4.27. In the wholesale and retail sector, of about 152,000 licences that were issued by the major local authorities in Peninsular Malaysia as at the end of 1990, about 28 per cent were held by Bumiputera traders. Within this, about 46 per cent of their operations were in petty trading, while the rest were in retailing activities including,

mini markets and supermarkets. Of the total of 21,000 distributor companies registered with the Ministry of Trade and Industry in 1987, the Bumiputera accounted for 14.5 per cent. About 35 per cent of companies and enterprises registered with the Tourist Development Corporation (TDC) in 1990 were Bumiputera-owned and more than half of them were mainly involved in travel and transportation services.

4.28. The size of Bumiputera businesses was mostly small. About 77 per cent of the Bumiputera entrepreneurs registered as suppliers with the Ministry of Finance had an average paid-up capital of less than \$30,000. About 89 per cent of those involved in small-scale industries had an average capital of less than \$50,000 and about 62 per cent of the contractors registered with the Contractors' Service Centre were in the F class. These features also reflected their capacity to secure credit assistance from financial institutions. Their accessibility to credits was generally limited to smaller amounts of less than \$100,000. Bumiputera suppliers and contractors for Government works and services accounted for only between 12 to 15 per cent of the total contracted amounts.

4.29. The levels of technology, management expertise, education, experience and exposure to business competition among the Bumiputera entrepreneurs were low. The main reasons, among others, were the lack of organizational and managerial capability, difficulties in getting access to credit, and the competition with other governmental agencies in securing supplies and materials. In this regard, the role of organizations, such as the Malay Chamber of Commerce in Peninsular Malaysia and its counterpart in Sabah and Sarawak, was observed to be not very effective. Since the mid-eighties, however, these organizations have begun to take positive efforts towards assisting their members who are in financial difficulties by interacting more effectively with the public and private sectors.

Policies For Achieving The Distributional Objectives

4.30. The strategies for eradicating poverty and restructuring society under the NDP will continue to be implemented through growth. High levels of growth and employment creation will provide wider opportunities for the poor to shift from low productivity and traditional sectors into higher income activities in the modern sectors of the economy. Economic policies will, therefore, be directed towards strengthening

the growth process as this is fundamental for achieving the distributional objectives under the NDP.

4.31. At the same time, the Government will continue to implement policies which will enable the poor to have an equitable share of the benefits generated by growth and which will ensure further improvements in income distribution. In undertaking these policies, the NDP will take a number of factors into account. Firstly, with the significant progress which has been made to reduce the incidence of poverty, this problem is no longer as large or as serious as it was at the start of the NEP twenty years ago. The general problem of poverty can largely be resolved through the process of growth. Secondly, with better education and training as well as more job opportunities in the non-agricultural sectors, there will be greater social mobility on the part of the poor to move out of poverty. Thirdly, in line with the structural changes taking place in the economy, rural households are becoming less dependent on traditional sources of income in rubber smallholding, padi farming and fishing. With limited prospects for achieving further productivity growth in these activities, the antipoverty agricultural programmes which had been implemented since the sixties and seventies to assist the major poverty groups have probably reached the limits of their effectiveness. Changes are, therefore, necessary in the design and implementation of these programmes to reduce the scope of Government involvement and bring in greater elements of land consolidation, estatization and private sector management so as to make these schemes more commercially oriented.

4.32. Overall, therefore, the Government will review the approach in implementing its policies for eradicating poverty to take into account -the changes taking place in the economy. Instead of the broad-based approach of the past, the programmes will be reoriented to focus on the more critical aspects of reducing poverty among all races. In line with these policies, the emphasis of the anti-poverty programmes will shift towards meeting the specific needs of the poorest households for assistance so as to release them from poverty. Another focus of these programmes will be to meet the growing demand from underserved regions and less developed states for better access to improved basic services.

4.33. The implementation of policies for increasing Bumiputera participation in the modern sectors of the economy has been mostly successful in terms of reaching the quantitative targets. Under the NDP, more emphasis will be given towards raising the quality of participation and ensuring that the significant progress which has been made can be sustained and improved further. Thus, no specific numerical target has been set for the ownership of equity capital over the period of the Second Outline Perspective Plan (OPP2). While efforts will continue to be made to increase Bumiputera equity ownership, towards at least the 30 per cent target, it is important to place more emphasis on leadership, managerial and entrepreneurial development as this has been the least successful aspects of restructuring.

4.34. In line with the above, the principal emphasis and thrusts for meeting the distributional objectives of the OPP2 will be the following:

i. the eradication of poverty will concentrate more on the hardcore poor irrespective of race, by raising their income levels and improving their access to basic social services;

ii. relative poverty will also be addressed in view of the concern that while absolute poverty is declining, some groups and regions in the country do not have equal access to the opportunities generated by the development process;

iii. the efforts to restructure society towards eliminating the identification of race with economic function will take into consideration that, while the policies for correcting economic imbalances must give priority to Bumiputera as they form the largest disadvantaged group in the country, the needs of the other communities will be given due consideration;

iv. while equity restructuring of the corporate sector will continue, the central focus of restructuring will be to increase Bumiputera employment and management participation at all levels in the modern sectors and to create a more viable and resilient BCIC. In this regard, the role of public agencies to promote Bumiputera involvement and participation in the industrial and commercial sectors will continue and will be made more effective; and

v. the pursuit of greater regional balance will focus on restructuring the economy of

the less developed states based on their resource endowment and comparative advantage. This will simultaneously lead to the reduction of income inequalities and ethnic imbalances in the country.

4.35. The implementation of these thrusts during the next ten years will be undertaken in line with the provisions of the Constitution and the spirit of the Rukunegara so that no one in the society will feel any sense of loss or deprivation.

Poverty Eradication

4.36. The number of poor households in the country as a whole is expected to be reduced from 619,400 in 1990 to 373,900 by the year 2000. This is despite the expected increase in the number of households in Malaysia from 3,614,600 in 1990 to 5,218,900 in the year 2000. With the implementation of special programmes, hardcore poverty, now involving 143,100 households, is expected to be practically eradicated by the year 2000.

4.37. The objective of the NDP to eradicate poverty by the year 2000 is feasible as the magnitude of the poverty problem has been considerably reduced. The projected growth of GDP of 7 per cent per annum in the OPP2 period will provide better prospects for reducing further the incidence of poverty through the creation of opportunities for employment and alternative sources of income. In the rural areas, the impact of past investments on infrastructure and social services especially education will increase further the capacity of the poor to respond to the employment and income opportunities in the non-agricultural sectors. This will reduce further the dependence of rural households on traditional agriculture and make wage employment to become a more important determinant of rural household income, leading to further improvement in the distribution of income in the country.

4.38. In Peninsular Malaysia, the incidence of poverty which was 15 per cent in 1990 is expected to decrease to 5.3 per cent by the year 2000, as shown in Table 4-2. This implies a total reduction of about 19,900 poor households a year, an achievement generally consistent with that recorded during the OPPI period. For the rural sector, the incidence of poverty is expected to decrease from 19.3 per cent to 8 per cent, while poverty in the urban areas will decline from 7.3 per cent to 3 per cent. By the

end of the OPP2, the number of poor households in Peninsular Malaysia is expected to be reduced from 448,900 in 1990 to 230,000.

4.39. The incidence of poverty in Sabah will be reduced from 34.3 per cent to 20 per cent over the same period. The number of poor households is expected to decrease from 99,600 to 84,000. Similarly, in Sarawak, the incidence of poverty will decline from 21 per cent to 12.7 per cent while the number of poor households will be reduced from 70,900 to 59,900.

4.40. Whilst economic growth will be the main factor contributing towards reducing poverty, the public sector will continue to play an important role in the implementation of anti-poverty programmes. However, the size of public sector expenditures need not be as large as in the past as the magnitude of the poverty problem has been substantially reduced. Instead, the public sector expenditures can gradually be reduced and reoriented towards alleviating poverty among specific target groups. This will result in more efficient use of resources and more effective implementation of anti-poverty programmes.

4.41. To facilitate the effective implementation of these programmes, a comprehensive registry of the poorest households in every district is being compiled and updated to ensure that the targetted groups or individuals will get access to services that will be provided to increase their production capacity and standards of living. The services to be provided include grouping the aged who are landless in special settlement areas which are provided with proper housing and amenities and given direct transfers to help them meet their daily subsistence. For the economically active individuals who lack economic resources, particularly land, they will be resettled in land development schemes or encouraged to undertake small resource-based manufacturing activities. In the case of those who have land but lack resources for developing their land, a programme to promote group farming and village restructuring will be implemented. For the children of the poorest, appropriate facilities such as village hostels, food and nutritional assistance and transportation will be extended to them.

4.42. Poverty eradication based on the concept of self-reliance will be encouraged. In this connection, the Government will provide further financial support to non-

governmental bodies involved with poverty problems. Efforts will be made to increase the productivity and income of the other poor households through self reliance and community-based programmes.

4.43. Efficiency, productivity and income of smallholdings will continue to be enhanced by the formation of economic-size holdings through voluntary consolidation of farm lands and the opening of new land in Sabah and Sarawak where the potential is still substantial. Farmers will be encouraged to supplement their incomes with other agricultural or off-farm activities in order to broaden their income base and minimise any adverse impact from price declines or increased cost of living.

4.44. Improved support services will be provided to accelerate development in in-situ agricultural schemes. The credit system especially will be reviewed to ensure that more poor households have direct access to credit. Marketing infrastructure will also be strengthened, especially in transportation and storage of products, as a measure to help stabilize the income of the poor as owneroperators or tenants.

4.45. In view of the concern about relative poverty, further emphasis will be to meet the basic needs of the poor among all ethnic groups in both the rural and urban areas. This is important so that income improvements will be complemented with greater access to basic services and amenities to enable the rising standards of living to be shared more widely. In this regard, the coverage of basic amenities such as electricity, treated water supply, health, education and transportation will be further widened to reach remote and outlying areas as well. It is anticipated that by the year 2000, there will be about 95 per cent coverage of electricity supply in Malaysia. The coverage of water supply, on the other hand, is estimated at nearly 100 per cent in the urban areas and 85 per cent in the rural areas of Malaysia. The poorest households will be equipped with knowledge on better nutritional practices to prevent the occurrence of malnutrition especially among children. Educational facilities in the remote and traditional kampung and settlements as well as in plantations and some villages will be improved so that the rural poor can have better opportunities to improve their life through education.

4.46. Villages, including those which were previously known as new villages, and which had been hampered by the lack of land resources will be given opportunities,

wherever feasible, to expand their area to avoid overcrowding and enhance employment generating opportunities. Similarly, in the estates sector, the Government will implement specific strategies to improve housing, health, educational and social conditions in the sector to enhance the quality of life of the estate population. While employers have a responsibility to provide some of these facilities, in those areas where large capital outlay is involved with regard to the connecting of piped water from public mains and the electricity supply and the provision of other basic amenities, the Government will provide assistance to estate employers by bringing these facilities to the fringes of the estate to enable the estate to draw from these supplies. The Government will also undertake to provide and improve educational, health and other related facilities in estates. As regards the workers' house ownership scheme, the Government will undertake administrative and other measures to facilitate estate management to respond more favourably to the implementation of more of such schemes.

4.47 In urban areas, relative poverty will be reduced through the provision of improved opportunities for better income and increased access to basic amenities such as affordable housing, transportation and utilities. Measures will be instituted by the Government through proper planning and zoning in urban development to ensure orderly growth. This will not only contain the further growth of squatter and slum areas but also offer new opportunities for the lower income groups, particularly, those related to the informal sector, to be involved in small scale businesses and industries.

Restructuring Of Society

4.48. The ultimate objective of the restructuring strategy remains to eliminate the identification of race with economic function. In this regard, a primary objective is the upliftment of the Bumiputera community's social and economic status to a level where Bumiputera entrepreneurs and enterprises will be more viable and resilient. This will be achieved by concentrating the implementation of this strategy on increasing Bumiputera employment and management participation in the modern sectors and on the creation of a viable and resilient community of traders and industrialists among the Bumiputera. A higher level of Bumiputera employment especially at the higher levels of occupation in the modern sectors of the economy is essential for meeting the objective of creating a larger pool of Bumiputera executives

and entrepreneurs and thereby enlarging the BCIC. As wages and salaries account for a substantial proportion of household income, the expansion of Bumiputera employment will also facilitate the reduction of inequalities of income.

4.49. Ownership restructuring will constitute another means of implementing this strategy. An effective level of ownership by the Bumiputera will continue to be necessary in order to give them a stake in the growth of the modern sectors of the economy and to enable them to participate in the management of the modern sectors of the economy, thereby, enabling them to influence key decisions, such as employment, and establish marketing and distribution outlets.

Development of a Bumiputera Commercial and Industrial Community

4.50. The development of a BCIC will continue to be the key thrust in the restructuring process as the availability of a sufficient number of capable entrepreneurs and viable enterprises will ultimately determine the success of Bumiputera in the commercial and industrial sectors. In view of the limited progress made during the OPPI, a more coordinated and well-defined framework will be developed under the OPP2 for realizing this objective. In addition, the role of PNB will be strengthened to enable it to effectively mobilize Bumiputera savings as well as play a more active role in Bumiputera entrepreneurial development.

4.51. The process of creating the BCIC will take into account the need for Bumiputera to participate in an environment of competition and efficiency. Thus, although Government policies and programmes will continue to provide the necessary support to Bumiputera entrepreneurs, they will be expected to develop their business activities increasingly on their own efforts and be less dependent on Government subsidies and assistance. To this end, training in the area of management of wealth and in business ethics will be given strong emphasis. Furthermore, the role of public enterprises and trust agencies will be geared towards providing more effective support for the development of Bumiputera businesses instead of competing with Bumiputera enterprises. Bumiputera business managers, especially in the modern manufacturing and services sectors, will be given opportunities to develop their talent as entrepreneurs in various sectors of the economy. As a long term measure, a

programme for the nurturing of young entrepreneurs from the school system will also be given greater emphasis.

4.52. A wider Bumiputera participation in the modern sectors particularly in the manufacturing and services, will be emphasized in view of the enhanced role and dynamism of these sectors in the future. Particular attention will be given to their participation in small and medium-scale industries through subcontracting and franchising which have been identified as potential grounds for nurturing entrepreneurial development. In this regard, full and active jointventures between Bumiputera and non-Bumiputera will be encouraged to enable Bumiputera enterprises to increase their business prospects. In addition, greater efforts will be made to promote a higher level of Bumiputera participation in construction, repair businesses, motor mechanics, petrol service station and other such activities so as to provide more income earning opportunities for them in the urban areas.

4.53. In order to promote potential Bumiputera businessmen and entrepreneurs, the system of quotas, licences and preferences will continue to be necessary until such time that a sufficient pool of Bumiputera entrepreneurs has been created. However, the implementation of this system will ensure that only Bumiputera with potential, commitment and good track records will be accorded access so that the objectives of creating a viable and resilient BCIC under the NDP are achieved. In order to enlarge the number of successful Bumiputera entrepreneurs, the successful and those with potential will be encouraged to be self-reliant and competitive in the economy. In addition, to enable the Bumiputera to have greater accessibility into commercial and industrial ventures, various support facilities such as finance, training and consultancy and advisory services will be provided on an integrated basis. Easier access to credit facilities and business premises will be extended especially to those who show the potential of being viable and innovative. Since the Bumiputera may not have sufficient business background, experience and skills in managing ,modern business, the resources of the PNB and other entrepreneurial development institutions will be mobilized to assist potential Bumiputera to become more successful in their business operations.

4.54. In order to enable the Bumiputera to compete effectively in the modern business environment, their exposure to the latest technology, both indigenous and imported will be necessary. This will be undertaken in line with the emphasis given to human resource development in the coming years. Measures will also be undertaken to enable them to have greater accessibility to capital, market information and linkages to international markets.

Employment Restructuring and Human Resource Development

4.55. The objective of employment restructuring will continue to ensure that the employment pattern in the various sectors and occupations of the economy reflect the ethnic composition of the country.

4.56. During the OPP2, policies and strategies for employment restructuring will ensure that the Bumiputera will have an equitable share of the new jobs created, especially in the professional, managerial and technical categories. As shown in Tables 4-3, 4-4 and 4-5, of the 2.4 million new jobs expected to be created, about 55.8 per cent or 1.3 million is expected to be taken up by the Bumiputera. Of this, about 706,700 will come from the services sector and 534,000 from the manufacturing sector. In terms of job categories, about 68.4 per cent of the new additional employment in the professional and technical categories will be taken up by the Bumiputera. However, about half of these jobs will be in the teaching and nursing professions.

4.57. To facilitate the upward mobility of the rural labour force, efforts will be made to upgrade their education and skill levels. In order to generate a larger supply of qualified Bumiputera in the professional, managerial and technical categories, the existing policy on entry quota into the higher learning institutions among the various ethnic communities will be continued. In addition, the Government will encourage private enterprises and companies to actively participate in providing greater opportunities for employment restructuring. At the same time, to increase greater absorption of Bumiputera graduates in the private sector, positive steps will be undertaken to provide opportunities for upgrading of skills and capabilities through training, retraining and attachments in collaboration with the private sector.

4.58. With the anticipated high rate of economic growth during the OPP2 period and the tightening of the labour market, it is expected that the Bumiputera will not be facing much problems in securing employment in the lower levels of occupations in the modern industrial and services sectors. However, due to the lack of suitable Bumiputera, one of the reasons being their late start in higher education, especially in the professional and technical fields, they may find problem to gain entry into the top-echelon occupations. The Government's role in restructuring the employment pattern will, therefore, be focussed more on the higher levels of occupations and in the larger business concerns in the corporate sector, especially in the commercial, industrial and services sectors of the economy.

4.59. The restructuring of employment will also take into account the need for higher participation of non-Bumiputera in the sectors in which they are now underrepresented. Accordingly, a better representation of the non-Bumiputera in the public sector appointments such as in the middle and senior levels of the civil services will improve the ethnic structure of employment in the sector. However, in the private sector the Bumiputera are underrepresented in the higher levels of occupations. Thus, while the employment of the non-Bumiputera is expected to increase over the 1990 levels in the middle and senior appointments in the civil services, the private sector will have to absorb correspondingly large number of Bumiputera in the professional, managerial and executive levels to improve the ethnic structure of employment in the sector.

Restructuring of Ownership and Control in the Corporate Sector

4.60. The strategy for restructuring ownership and control in the corporate sector will be continued in view of the expanding role of the private sector in the economy. While there will be no specific quantitative targets set to be achieved during the OPP2 period, the target of at least 30 per cent Bumiputera participation will continue to guide the strategy for the restructuring of the corporate sector. Unlike the over emphasis on achieving the numerical targets of equity ownership under the NEP, the emphasis under the NDP will be wealth creation by Bumiputera. Therefore, it is necessary to equip Bumiputera with the appropriate skills to manage and operate their business effectively as well as to sustain their wealth. The need for Bumiputera

to manage their existing wealth effectively is important for them in order to lay the foundation for further creation of wealth on a sustainable basis.

4.61. In the process of restructuring the equity of the corporate sector, the trust agencies and public enterprises will be required to undertake well planned and coordinated measures in the creation of new assets and in the acquisition of strategic interests in companies on behalf of the Bumiputera. This role will be facilitated by more effective mobilization of Bumiputera savings as well as more productive and efficient management of funds in the public enterprises and trust agencies.

4.62. The role of the PNB will be consolidated in view of its important position in mobilizing Bumiputera funds and its potential as an entrepreneurial development agency. The Amanah Saham Bumiputera (ASB) will form part of the overall strategy for the PNB to continue mobilizing Bumiputera savings during the OPP2 period. Apart from pure portfolio management, PNB will design and implement other complementary programmes which will emphasize entrepreneurial development and mobilize venture capital for the Bumiputera community.

4.63. Privatization will be used as a vehicle to accelerate greater Bumiputera participation in the private sector and in attaining the objective of the restructuring of equity. In line with this, the privatization of subsidiaries of trust agencies will be reserved for the Bumiputera. In the privatization of other Government entities, Bumiputera participation will be maximised as a measure to make up for the shortfall in their equity ownership in other sectors. To assist the Bumiputera to acquire shares in the privatized projects, the employees in these projects will be provided with special financial facilities. An important consideration in the privatization programme will be the need to ensure that after the divestment, the Bumiputera will continue to hold their interests in the privatized entities.

4.64. The Foreign Investment Committee (FIC) will continue its efforts to monitor the process of equity restructuring to further enhance the level of compliance by companies. The existing guidelines will be improved and modified to increase its clarity as well as to specify clearly the conditions under which the Bumiputera, the non-Bumiputera and the foreigners can hold majority equity in the corporate sector. The modified guidelines will also contain specific policies with respect to foreign

acquisition and ownership of fixed assets especially land. Overall, the guidelines, while assisting the restructuring of equity in the corporate sector, will also improve further the investment climate in the country by providing opportunities for foreign investors to have majority ownership in their projects except in certain activities in which local expertise is already available.

4.65. The restructuring strategy has placed special emphasis in the past on ownership of equity in the corporate sector. Since ownership of equity alone will not be sufficient to promote effectively Bumiputera's participation in the business operations of the company, it is essential to shift the emphasis towards the employment aspects of restructuring. The policy of encouraging more meaningful Bumiputera participation in the management of the corporate sector will, therefore, be more vigorously implemented through increasing the supply of high level Bumiputera manpower.

4.66. The equity restructuring objective will not be able to promote the long term objective of ensuring that the Bumiputera continue to benefit in the future, if these interests are not retained on a sustained basis. Currently, some Bumiputera institutions, companies and individuals who have been allotted reserved shares tend to divest their shares without getting prior approval of the issuing authorities. The Government is concerned that quick divestment by Bumiputera shareholders will affect adversely the efforts to achieve the restructuring objective. Therefore, the procedures for approving reserved shares will be improved to minimize divestment of Bumiputera interests.

Regional Development

Regional Development Prospects

4.67. The continued emphasis on growth under the OPP2 will mean that the developed states will continue to benefit more than the less developed states. States such as Selangor and Pulau Pinang are expected to grow much faster than the national average with industrial and services sectors accounting for the major share of the growth. Accordingly, their GDP per capita is projected to remain above the national average. Johor's development will take off rapidly reflecting its growth as a

major industrial centre and the spillover of investments from Singapore. The ratio of the GDP per capita of Johor to the national average, therefore, is expected to improve as shown in Table 4-6.

4.68 The middle-income states of Pahang, Johor, Negeri Sembilan, Perak, Melaka, Sabah and Sarawak will grow at rates comparable to the national average. The changing economic structure of the less developed states augurs well with the objective of reducing regional imbalances. With the progressive diversification of their economies, more employment and income earning opportunities will be created that will accelerate the process of eradicating poverty and reducing the economic imbalances between states. Increased labour mobility and dispersed economic activities will facilitate labour transfer from the agriculture and rural areas to meet the labour shortages in industries that may worsen in the nineties. In addition, programmes for expanding the physical and social infrastructures in the less developed states will further open up new opportunities for growth.

Future Policies and Strategies

4.69. Regional development strategies will continue to focus on reducing the large imbalances in social and economic development between states in the country. A more balanced development is essential to facilitate the attainment of the objective of reducing poverty in the less developed states and improving income distribution in Malaysia.

4.70. The main thrust of the regional development efforts under the OPP2 will be for the less developed states to take advantage of the spillover of development occurring in the relatively more congested urban centres in the country. The peripheral areas will be provided with the necessary infrastructure to absorb this spillover and to attract small and medium scale industries. Industrial activities will provide the people in these states the opportunity to develop new skills and increase their employment opportunities.

4.71. The natural resources available in the less developed states will be developed on a commercial basis, oriented towards exports. In-situ agriculture will be revitalized through the adoption of commercial production practices for which better links between the production centres and the market outlets will be effectively established.

4.72 In order to tap the vast development potential of states like Sabah and Sarawak, physical and social infrastructures in these states will be expanded. This will promote extensive land development in states with substantial land resources and will facilitate agricultural commercialization and downstream resource as well as agro-based development to take place.

4.73. The Regional Development Authorities (RDAS) will continue to play a major role in regional development. The strategy will stress the consolidation and maximization of the utilization of existing infrastructures through the promotion of growth generating activities. The RDAs will concentrate on encouraging greater inflow of investment into the existing industrial estates and in inducing growth of the existing townships and stimulating small and medium-sized agro-based industrial activities. New physical infrastructure investments will only be made to promote industrial expansion and agricultural commercialization. These efforts are expected to expand and diversify the economic base of these states and will contribute to the narrowing of the present disparity in growth and income levels between the developed and the less developed states.

4.74. Rural development efforts in the resource-poor states will continue to emphasize on the commercialization of the in-situ agriculture and the development of SMIS. In Kedah, its industrial development is expected to accelerate with Sungai Petani and Kulim developing more rapidly as a result of better infrastructure facilities and easier access to the port in Pulau Pinang. Kelantan's development is expected to pick up further as greater efforts to deal with the problem of flooding in the Kelantan river basin are undertaken. The state is expected to benefit from the implementation of the South Kelantan road, linking Kelantan to Perak and Terengganu because of the opening up of areas in South Kelantan for commercial agriculture.

Institutional And Delivery System

4.75. A rationalization of the functions and responsibilities of the various Government agencies will be undertaken to reduce overlapping of functions and increase the efficiency in the use of resources. In order for public sector agencies to be more effective in providing advisory and technical services to the target groups, they will be encouraged to work more closely with the relevant organizations representing Bumiputera entrepreneurs and businesses and develop these organizations as an important vehicle for complementing Government efforts. The objective will be to enable these organizations play a more active role in the development of Bumiputera businesses.

4.76. Public sector agencies will provide the effective support and play a stronger role for the development of Bumiputera entrepreneurs in the modern industrial and services sectors. The major areas which will be given priority include enhancing Bumiputera management skills and skills in managing wealth, strengthening the supply network for materials and services, enlarging marketing outlets, improving financial support in the form of venture capital as well as the identification of new business opportunities and strategies, including linkages with multinational companies. In this regard, the role of PNB will be strengthened and expanded to enable it to develop entrepreneurial development programmes to train Bumiputera in corporate management and in the management of wealth.

4.77. The best prospects for the Bumiputera to progress as a commercial and industrial community are through the integration of their business activities with the non-Bumiputera private sector. Thus, an important function of public sector agencies will be to promote such integration, particularly through the establishment of joint-ventures with non-Bumiputera companies and multinational corporations.

Conclusion

4.78. Overall, the NEP has succeeded in opening up opportunities for all Malaysians to participate in the development process of the country with the poor and the Bumiputera benefitting substantially from programmes that were implemented under the NEP. However, efforts towards narrowing the economic imbalances between the

rich and the poor and among the various ethnic communities will be continued. Thus, the NDP will seek to remove further these imbalances based on the principles of balanced development and equitable distribution to achieve social justice and enhance national unity.

Bab 5 – Strategi Sektor dan Teras Program

Introduction

5.01 The attainment of the goals and objectives laid down in the Second Outline Perspective Plan (OPP2) towards realizing the vision of making Malaysia a fully developed nation by the year 2020 will necessitate the formulation and implementation of more effective strategies and programmes. The principal thrust will be to create a stronger foundation for the promotion of sustained growth with equity. Towards this end, the Government has formulated the New Development Policy (NDP). The NDP will be directed towards achieving a balanced, broad-based and internationally competitive economy while increasing opportunities for Malaysians to enhance their income and standard of living so as to reduce economic imbalances. The Government will continue with its pragmatic and flexible approach in the management of the economy so as to provide a favourable environment for growth to be achieved through high levels of investments and exports. Efforts to enhance the contribution of the private sector will be intensified through the continued implementation of the liberal policy towards private investment and by expanding public sector investment in infrastructure and human resource development as well as enhancing the technology base so as to enlarge the capacity for growth.

5.02 In line with the above thrusts, specific strategies for industry, agriculture and services will be emphasized. The industrial sector will continue to spearhead the growth of the economy. Hence, future policy thrust will be to strengthen the manufacturing base and diversify the exports of manufactured products. Although the contribution of the agriculture sector is expected to decline relative to other sectors, its role remains significant with expected improvements to be attained in productivity through modernizing and consolidating the small holdings sector and enhancing the linkages of this sector with the industrial sector. The development of the services sector will be given priority to enable it to play the role of a leading sector in the growth of the economy. The overall thrust of the sectoral strategies will be to raise the level of productivity growth and technology development so as to ensure the attainment of a stable and sustained economic expansion.

Strategies And Programme Thrusts

5.03 The essence of the sectoral strategies is to promote further diversification and growth in value-added indigenous activities that will have widespread linkages across sectors. Towards this end, the Government will continue to improve upon the initiatives and measures which have been implemented to achieve growth and distributional objectives. High on the priority will be the consolidation and concentration of efforts to provide a greater degree of coherence to existing sectoral policies and programme thrusts. Concerted efforts will also be made to venture into new frontiers of development.

Manufacturing

5.04 The manufacturing sector is targeted to grow at 10.5 per cent per annum during the OPP2 period. The thrust for the sector's development will be to widen and strengthen its base with a view to lessening dependence on traditional growth subsectors, primarily textiles, electrical and electronics. Towards this end, the primary strategy will be to emphasize the identification of new sources of growth to further accelerate the expansion of the manufacturing sector. Efforts will be made to efficiently shift resources towards more promising and rapidly growing sectors which will lead towards greater diversification of products and markets. At the same time, emphasis will also be given to the development of new products based on continued research and applications of composite, new and advanced materials. These efforts will be supported by programmes aimed at improving comparative advantage by enhancing skills and technology development and upgrading the infrastructural support facilities.

5.05 Industrial deepening will be pursued in order to achieve greater value added and linkages, both vertical and horizontal, especially in the basic metal, fabricated metal, petroleum and transport equipment industries as well as nonmetallic mineral, rubber and timber-based industries. These industries, especially those related to engineering and metal fabrication are essential in providing the ancillary support and improving the linkages among industries. The continued expansion in manufacturing activities will provide a wider scope for industrial component industries such as moulds and dies to expand. At the same time, the domestic-oriented industries like

vehicle parts and accessories are anticipated to expand further as a result of rising demand from domestic as well as external markets. Such increases in demand will also lead to increases in demand for related complementary products. For the electronics sector, the establishment of wafer-fabrication plants for example will enable greater backward integration and greater value-added electronic products away from mere assembly activities.

5.06 Emphasis will be placed on the development of value-added products with greater linkages through further downstream activities, especially of the resource-based industries such as wood and rubber products, food and beverages as well as chemicals and petrochemical products. With the establishment of a number of furniture complexes, greater value-added wood products are envisaged. Manufacturers of wood and wood products have also successfully penetrated new markets and introduced new products made from non-traditional timber species. The manufacture of sawn timber and plywood provide potentials for vertical linkages within the wood subsector through increased production of furniture and furniture components for the export market. The chemicals and petrochemical subsectors are also poised for greater downstream industrial activities.

5.07 The small- and medium-scale industries (SMIs) will be further promoted and upgraded, with the objective of making them an important and viable vehicle for industrial expansion and the creation of inter-industry linkages and support. The SMIs are expected to contribute significantly in terms of value added and labour absorption in the manufacturing sector to the level of 40 per cent and 50 per cent, respectively, within the next decade from the current position of 20 per cent and 30 per cent.

5.08 Several public agencies are involved actively in promoting SMIs by providing supporting services such as training, advisory, extension and research and development (R&D) related services as well as assistance in marketing activities through subcontracting and Government procurements. In addition to normal credit lending by commercial banks, the Government launched the ASEAN-Japanese Development Fund and the Industrial Technical Assistance Fund (ITAF) as major efforts to enable SMIs to have wider access to financing on attractive terms and conditions. While such existing support services and assistance will be continued, it is necessary to attain a more integrated approach for the development of SMIs. In

this regard, preferential access to a wide range of business, technical and industrial facilities such as provision of credit, technical know-how and business premises will be better coordinated and rationalized among the various public agencies to reduce conflicting priorities and duplication of programmes. In addition, greater emphasis will be placed on improving the contribution of SMIs towards higher levels of efficiency and value added through changes in the mode of production. The major initiatives will include the identification and extension of support facilities and services to potential high growth industries, strengthening financial and non-financial support, improvement of product quality and internationalization of industries as well as strengthening further the modernization, management and technology development programmes. The private sector is expected to play an increasingly active role in the development of SMIS, while the public sector will primarily provide support in areas not covered by private sector initiatives, especially technical and financial assistance in R&D, technology and product development as well as feasibility and market studies.

5.09 Regional dispersal of industries will be accelerated, not only to achieve a more balanced distribution of investment but also to locate industries closer to the sources of labour and raw materials with a view to providing a better geographical spread of existing and new industries. The Federal and State administrative and planning machineries will be further strengthened to provide for a more integrated approach in the development of promoted areas so that they will be adequately equipped with the appropriate social and physical infrastructures. In this regard, an integrated approach for the development of industrial estates will be adopted to provide the necessary facilities and amenities. In addition, selected locations will be considered for industrial specialization taking into account their comparative resource endowment. In this context, the opening of new industrial zones and upgrading of existing ones, as well as the development of a few selected high technology industrial estates will assist in expanding growth opportunities for identified areas.

5.10 The Government will expedite the restructuring and rationalization of industries which have lagged behind in growth as a result of outmoded structures of production and technology and high costs of production. This will be done through the provision of special assistance and support. The principal objective of the rationalization

strategy will be to ensure viability and sustained development of the selected industries through a process of mergers, acquisition, amalgamation of plants and financial restructuring.

5.11 The development of selected basic industries, particularly machinery and engineering, automobiles and chemicals, will form an integral part of the strategies to restructure the industrial sector. The expansion of these basic industries is expected to create new demand for intermediate and capital goods and services, and provide new opportunities for growth, industrial technology and inter-industry linkages. In particular, development in this area is expected to nurture SMIs in the manufacture of component parts and intermediate products.

5.12 Greater efforts at export promotion will also be undertaken. In this regard, efforts to market manufactured products will be intensified not only to traditional markets but, more importantly, to penetrate new markets. Aggressive marketing strategies, including joint ventures with international corporations having strong global market links, will continue to be developed. At the same time, local capability in international product promotion, product quality, design and packaging, as well as market research and intelligence will be improved.

Agriculture

5.13 The agriculture sector is targeted to grow by 3.5 per cent per annum during the period. While this rate of growth is relatively lower compared with other sectors of the economy, the development of agriculture will continue to be important in the nation's development. The growth of the sector will be crucial as agriculture will continue to remain a dominant activity in the economy, particularly in the rural sector as well as provide resources to support the development of the other sectors of the economy.

5.14 To facilitate the growth of the agricultural sector, the Government will adopt supportive fiscal and monetary policies that are neutral between sectors and that will reduce resource outflow from agriculture. Efforts will also be undertaken to address the problems at the farm level, relating to the persistence of dualism between the estate and traditional smallholder subsectors, prevalence of uneconomic size of holdings, constraints on extensive agriculture arising from increasing land scarcity,

labour shortages, inadequate food-crop production, lack of emphasis on human development as well as fluctuating farm income.

5.15 As the availability of new land becomes a constraint for large-scale agricultural development, the expansion of the agriculture sector will have to increasingly rely on the development of intensive production as well as the rejuvenation of the natural forest and fishery resources. Productivity improvements through research and effective farm management that minimize unit costs, reduce losses and increase net yield as well as revitalization and conservation measures will be emphasized in the light of growing depletion of forest and fishery resources and the rising cost of labour. Vertical diversification through developing linkages with agro-based industries will also be promoted to ensure that growth in agriculture will be in tandem with industrial development. The National Agriculture Policy will be reviewed to bring about the necessary changes in the development of the agriculture sector.

5.16 The growth and viability of the agriculture sector will require greater commercial orientation of the sector, in terms of choice of crops and management style as well as reform of the inefficient smallholder operations towards a more organized and estate-type approach. Towards this end, a redirection of emphasis from new land development under the OPPI to in situ development will form the thrust of the OPP2, aimed at revitalizing existing cultivated or abandoned areas for fuller utilization of resources for agricultural production. This will involve mainly land consolidation, rehabilitation, replanting, drainage and irrigation as well as effective adoption of technology by farmers. The in situ thrust to modernize and commercialize smallholder agriculture becomes even more important in the light of increasing scarcity of suitable new land in Peninsular Malaysia and the constraints of high-cost development and availability of settlers in Sabah and Sarawak. This development approach will also constitute a cheaper option than new land development in fringe areas as physical investments have already been undertaken by the farmers in these areas and as such, the Government will only be involved in consolidation efforts and the provision of related assistance.

5.17 The nation needs to intensify its agriculture by specializing in the production of high value-added and market-oriented crops in which it has comparative advantage in order to achieve viability and maximum utilization of its land resource. Further, these are crops in which research technology is already proven and are industry-oriented, providing greater potentials for vertical linkages. Towards this end, the Government will review its support to the replanting of less-viable crops such as padi and to encourage farmers to switch to more resilient, remunerative crops such as oil palm, rubber, cocoa, vegetables, fruits, flowers, aquaculture and even forestry. As part of these efforts, marginal padi areas, where possible, will be switched to more remunerative crops, particularly fruits or converted for viable non-agricultural uses. In addition, horizontal integration of crops with potentially viable livestock and agro-forestry will also be promoted.

5.18 The market-oriented approach will, however, require intensive marketing, promotion and market information build-up to link the products with the market. The role of Federal Agricultural Marketing Authority (FAMA) and other national marketing agencies, including those in the private sector, will therefore be crucial in ensuring agriculture produce are marketed profitably.

5.19 As the nation moves up the development ladder rising factor prices especially labour, become more apparent. The availability of cheap agricultural labour from domestic sources will be increasingly scarce given the more attractive wages in other sectors coupled with changing preferences of the labour force away from agriculture. In the short term, therefore, measures adopted in the late eighties to employ foreign labour by the estate sector will have to be continued.

5.20 Productivity improvements are critical for the agricultural sector to be cost efficient and competitive during the nineties. As such, efforts will be intensified in the use of biotechnology and R&D to generate high yielding varieties, clones, indigenous breeds, easy-to-use planting and harvesting equipment, as well as effective extension programmes to ensure successful adoption of labour-augmenting technology by farmers. At the same time, the elimination of inter-sectoral distortions that had led to artificially higher returns in the protected industrial sector relative to agriculture, will require a review of the protection policies to promote the development of selected industries that have greater backward linkages to agriculture.

5.21 The rejuvenation and conservation of forest and fishery resources will also be emphasized to ensure sustainable development and environmental preservation. In forestry, logged-over areas will continue to be reforested through the extension of existing programmes while permanent ones will be enriched through silviculture. The harvesting of forest will be regulated on a sustained yield management basis as adopted in the Tropical Forestry Action Plan. In fisheries, overfishing in the inshore zones will be strictly controlled, and at the same time deep-sea fishing will be intensified through the dissemination of information, training of deep-sea fishermen and provision of incentives and supporting infrastructural facilities, particularly in the form of fishing ports and marketing facilities. Potential areas for aquaculture will be identified for development by the private sector as research findings indicate that favourable returns could be obtained from aquaculture projects.

5.22 The development of the livestock industry will emphasize the generation of indigenous breeds through R&D to further increase the domestic production of beef and mutton on a cost-competitive basis. As a strategy to reduce the cost of intensive feed-lot operation, research into lower cost feedmeals such as those based on oil palm trunks and leafy sources will be explored. Integration of cattle rearing by oil palm operators will also be encouraged. The viability of domestic production of mutton will be enhanced through integrating in plantation agriculture both by land development agencies and by the private sector. The nation is already self-sufficient in poultry, eggs and pork. While the development of these livestock subsectors has been private sector driven, the Government will ensure that policy prescriptions affecting sources of feedmeals will not adversely affect their future viability. The concern of public policy in respect of the pig industry is to control environmental pollution from waste release by strictly enforcing sanitary and health standards.

Science and Technology

5.23 In order to sustain the development in the industrial and agricultural sectors, new and existing technology must be absorbed and utilized more efficiently with a view to strengthening domestic technological capabilities and promoting international competitiveness. In this regard, the Government's policy on science and technology will create the necessary conditions under which technology will be built up efficiently.

General policies to provide an environment that is conducive to innovation and the application of technology by private and public enterprises will be introduced and more direct measures for the promotion and protection of indigenous technology development will be instituted. Measures will also be undertaken to strengthen the science base and support for technology development. In this regard, the Government will embark on a deliberate effort to increase private and public sector investment in R&D with the objective of at least doubling its share as a percentage of GNP by the year 2000 from the current level of 0.8 per cent per annum.

5.24 Greater efforts will be made to increase the absolute amount of R&D expenditures by enterprises and institutions. Special programmes such as venture capital financing as well as direct financial assistance in the form of grants, risk-sharing investment and assistance with soft loans for the purpose of promoting result-oriented and market-driven R&D will be developed. At the same time, strategic focus will be placed on the commercialization of potential research and technology. This will involve downstream related activities such as testing, prototype formulating, designing and redesigning, trial manufacturing and marketing runs, as well as licensing and patenting of new products and processes before the basic R&D output can be ultimately transformed into end-use products and processes to suit consumers' needs.

5.25 The management and utilization of R&D capability in public sector institutions will be reviewed and improved. An adequate and comprehensive mechanism for the promotion and commercialization of discoveries and innovations resulting from research in universities and public sector institutions will be developed. Greater emphasis will be placed on promoting joint programmes of research between industry and public sector institutions with a view to transferring research output for active commercial and industrial applications. Apart from the reorientation and rationalization of R&D activities by public sector agencies, the private sector is expected to play a more important role in these activities. Such an approach will ensure that R&D is demand-led, market driven and commercially relevant.

5.26 To further develop technology capability, the Government will increase its investment in scientific and technological education as well as the development of

technical and research manpower. Attention will also be focused on reorienting science and technology education to foster creativity and innovativeness in the young. Increasing emphasis will be placed on developing a high-level core of scientists, researchers, technologists and educationists who can play a major part in advancing domestic technologies.

5.27 While the primary concern will be the development of a stronger indigenous technological base, the transfer of technology from abroad will continue to be crucial. In this regard, priority will be accorded to the build up of local technology capability through technology absorption and adaptation, particularly in the development of new and improved products and processes. Current efforts in the selection of technologies for industrial development, as well as technology transfer will be further strengthened.

Environment

5.28 Greater emphasis will be placed on achieving economic development that is ecologically sustainable and balanced. In this regard, environmental programmes under the OPP2 will continue to emphasize the maintenance of a clean and healthy environment with ecological and climatic stability. Nature and natural resources conservation will also be given priority through a responsible and well-balanced exploitation of natural resources which will safeguard the requirements of future generations. Towards this end, strategies for environmental protection as well as nature and natural resources conservation will be incorporated in all development plans and programmes. The implementation of such strategies will give priority to adopting environmentally sound practices in various sectoral development programmes as well as strategic natural resources management. Efforts will be taken to ensure effective and well-coordinated enforcement of such strategies and programmes by further upgrading the regulatory machinery at the State and Local Government levels. The promotion of greater awareness, responsibility and participation of the public and private sectors as well as society in general in achieving a clean and healthy environment will be further intensified through mass media, education and training.

Services

5.29 The services sector will be developed as an important industry generating growth and employment in the economy as well as to reduce the large deficits in the services account of the balance of payments. The growth prospects for the services sector are bright considering the various developments, both internal and external, that are expected to create new economic opportunities. With the push towards industrialization the domestic services sector will be further strengthened and modernized to support the industrialization drive. The prospects for the gradual expansion from a domestic-oriented services sector to the development of an export-oriented services sector will be harnessed in line with advancements in international communications and infrastructure which have rendered services increasingly tradeable. Apart from expanding the more prominent existing subsectors of finance, banking and insurance as well as freight, shipping and general transportation, special emphasis will be placed on the emerging subsectors of information technology and computer services, financial services, stock broking and tourism as well as business, professional and consultancy services.

5.30 Priority will be given to financial services since a more efficient, modern and competitive financial sector will be critical for the growth and development of the economy. This will be made possible through the adoption of a two-pronged strategy of supervisory re-regulation and structural deregulation. The former aims at strengthening regulatory and procedural practices of banks and financial institutions, while the latter will allow bank and financial institutions to create new financial instruments as well as to venture and diversify into new areas. These developments are expected to enhance efficiency and at the same time, strengthen the financial system's prudent standards, discipline and integrity. In line with this, the financial sector is required to upgrade professionalism and judiciously introduce financial reforms with the view to building further confidence in the system.

5.31 While the Government will provide the necessary support, the financial institutions are expected to be more innovative, creative and dynamic in order to serve the increasingly diverse and sophisticated needs of consumers and the business community. In this regard, financial institutions will concentrate on

improving traditional banking activities in terms of quality and cost effectiveness. While some will seek to specialize in specific skills like financial engineering and the creation of various derivative products to meet particular financial needs of their consumers, others will be expanding the scope of their services to meet the varied banking needs of consumers. Universal and international banking will be further enhanced particularly in the management of complex financial services such as corporate services, portfolio management, trust activity, underwriting and international financial management.

5.32 Venture capital or high-risk equity financing, involving expansion financing for existing companies as well as management buyout, mergers and acquisition activities will be expanded. Towards this end, efforts will be made to provide financial support to develop sufficient venture capital funds to help develop indigenous entrepreneurship and technological innovations. Islamic banking practices, which essentially provide venture capital and equity-based financing, are expected to be increasingly utilized by commercial enterprises.

5.33 The Kuala Lumpur Stock Exchange (KLSE), an important institution within the Malaysian securities market, will be strengthened. The bourse's regulatory functions will be upgraded and innovative changes will be introduced to keep abreast of developments in other exchanges, thereby maintaining the attractiveness of the Malaysian market to potential investors.

5.34 The development of insurance activities in the near future will be intensified as the economy moves towards a wider investment base and a more diversified manufacturing sector. The insurance industry will be strengthened in view of its need to have higher capacity to assume risks. Upgrading of skills for specialized risk management, including provision of high quality reinsurances, underinsurances and specialized insurances, will be stepped up. Insurance activities will also be geared towards more efficient and effective management of funds to ensure fair returns to shareholders. In order to meet these objectives, several measures will be undertaken which include the strengthening of insurance rules and regulations, making the industry more competitive, as well as improving product delivery and implementing the revised solvency margin requirements. In addition, the industry will work towards the collection of timely industry-wide statistics pertinent for quality decision making.

5.35 Substantial improvements in the area of freight and shipping services will be necessary in view of the Government's overall objective of reducing the quantum of freight payments abroad, currently one of the major sources of outflows in the services account of the balance of payments. At present, only 5 per cent of the country's trade is handled by local shipping lines. The policy goal is to directly channel commodities and manufactured goods through Malaysian ports and use Malaysian flag vessels as much as possible in the carriage of trade. Greater importance will need to be placed on efficiency and productivity of port operations and related activities in order for domestic shipping lines and operators to be competitive with international lines. The Government's concern is to plan and implement coordinated development of port facilities and hinterland access to ensure efficient scale of operations, maximum utilization of port capacity and rationalization of specialized cargo activities in the overall effort to increase efficiency and competitiveness of the freight and shipping services.

5.36 Given the considerable opportunities available for further growth of the shipping industry, steps will be taken to augment its capacity and operations. The Malaysian fleet will be expanded through joint ventures between local and foreign shipping companies, chartering and the purchase of ships. Freight rates offered by local shipping companies will be made more competitive with those offered by foreign counterparts. In addition, container services will be further deregulated to reduce cost and improve overall efficiency. As part of the strategies to reduce the outflow of funds, the marine and merchandise insurance industry will be developed to reduce the need for reinsurance abroad. At the same time, the current fiscal incentives for the shipping industry will be reviewed in order to further promote the development of the industry. The supporting facilities and services such as shipbuilding and repair, chandling, ship broking and freight forwarding will be expanded and strengthened. Simultaneously, training of Malaysians in the professional, commercial and managerial aspects of the shipping business will be upgraded.

5.37 For the tourism sector, the primary strategy will be the creation of a distinct and unique image of the country's natural heritage and cultural resources. Creating an appealing Malaysian identity as well as preserving the natural heritage and improving the state of the physical environment will become increasingly important components

of tourism development. New tourism products will be developed more in their original and traditional settings, rather than to recreate the original products in an artificial and unnatural environment.

5.38 The development of the tourism industry will be more selective and focused in the utilization of resources. The competitiveness of tourism products and infrastructure in relation to those available elsewhere in the region will be continuously monitored and enhanced. In this regard, planning and implementation efforts will emphasize a more integrated approach in order to facilitate more effective development and coordination of tourism resources. Particular attention will be given to collaborative efforts among Federal and State agencies as well as between the public and private sectors. Participation at various levels, including the local community in specific programmes and projects, will be encouraged.

5.39 Tourism programmes will not only include those that augment foreign exchange earnings, but equal importance will be given to those that will result in the saving of foreign exchange by promoting domestic travel for leisure and recreational purposes. Consequent upon improved income levels and living standards of the population, the level of domestic tourism is anticipated to rise. Accordingly, tourism programmes are expected to be formulated and designed in close collaboration with the public to ensure that they are tailored to meet the preferences and needs of domestic tourists. This is expected to set the momentum for more extensive travelling within rather than outside the country. Such developments will also give rise to the build up of diverse and varied tourism-related infrastructure, thus concurrently improving the standard of living of the local population through access to better roads, efficient means of transport and related facilities, as well as the availability of other amenities.

5.40 To meet the demand for manpower arising from the expansion of tourism, related educational, training and skills development programmes will be stepped up. This will require formal, professional and technical training at various levels as well as on-the-job training of specific skills especially by the tour, hotels and restaurant industries. Equally important in this area will be the dissemination of general tourism education to the public to reduce the apprehension that has been created in some quarters at the prospect of development through tourism. In this regard, educational efforts through the media will be continued to impress upon the public that the

commercialization of resorts, parks, entertainment facilities and other tourist products will not adversely affect the cultural values, patterns of traditional behaviour and heritage of the local population. Tourism programmes and projects will place greater efforts on emphasizing the unique and unusual in the country's traditions, culture and lifestyles.

5.41 The trade sector is expected to face increasing competition and protectionism in international markets. Consequently a more strategic and aggressive approach towards the marketing of Malaysian products will be adopted. Apart from opening new and rationalizing existing trade offices abroad and promoting overseas exhibitions, public relations and related promotional works, the Government will intensify efforts in market surveys, research and the collection of data as well as the dissemination of information and market intelligence. This will help to expand trade opportunities and identify potential market niches as well as promote the growth of markets for Malaysian products.

5.42 The Government will continue with the Export Credit Refinancing (ECR) facilities to further promote the export of manufactured and agricultural products with higher value added and higher domestic content. Apart from the two types of facilities now available to exporters under the scheme, namely, the pre-shipment facilities and the post-shipment facilities, which provide for wider coverage and access to finance, the ECR will be complemented by the newly established Export Credit Insurance and Guarantee Scheme (ECIG) which provides an effective umbrella of protection against the risks of non-payment by overseas buyers of Malaysian goods. With the implementation of the ECIG, coupled with ECR facilities to indirect exporters, as well as small and new exporters, it is anticipated that the volume of exports will expand significantly. An Export Credit Insurance Fund will be established to strengthen financial support for the execution of the ECIG scheme.

5.43 The Government will continue to provide appropriate support and assistance in order to sustain and improve the quality and marketability of exports. In particular, efforts will be geared towards further promoting and reinforcing attributes such as quality, design and packaging which will provide the marketing edge for Malaysian exports. The Government will also continue to participate actively in international and regional forums such as multilateral trade negotiations through GATT, United Nations

Conference on Trade and Development (UNCTAD) and ASEAN in order to secure new markets and maintain a foothold in existing ones within the context of free and fair trade practices.

5.44 The domestic trade sector which forms the basis for new export opportunities, will be strengthened and modernized. In this regard, measures such as the formation of joint ventures, franchises and cooperative networks either locally or jointly owned with foreigners, will be further encouraged. With the modernization of the wholesale and retail trade sector, more effective linkages between domestic and international markets will be achieved and a more efficient and competitive domestic trade sector will be created. This will serve not only to counter and compete with the influx of foreign franchises on food and services chain stores and supermarkets but also to provide the springboard for future exports and the expansion of "trade-in-services" internationally. The rural distributive system will be further upgraded through modern business practices to ensure effective management of retail outlets. The urban farmer markets and "pasar malam" which are growing in popularity will be extended and more efficiently managed to cover major towns in the country.

5.45 The present structure of the small-scale services sector reflects the existence of a dualism in the economy. There exists on the one hand, a well organized Chinese mainstream based on kinship with strong linkages in terms of supplies of raw materials, capital, inputs and marketing, and on the other, a small and peripheral non-Chinese segment. For the future, the development thrust will be to increase the overall participation of all communities in this sector. This will be achieved by modernizing, consolidating and improving its structure through the provision of greater access and opportunities for participation and integration in the critical areas of finance, supplies, marketing and entrepreneurial know-how. Efforts in removing constraints such as the lack of capital and reliable sources of raw materials and supplies, and accessibility to concessionary credit will also be continued. In this regard, meaningful participation by Bumiputera will be enhanced. This will be an essential building block in the creation of a more visible and viable Bumiputera business and commercial community.

Infrastructure

5.46 The objectives of infrastructure development will be to provide an efficient system that will focus on greater multimodalism and enhanced complementarity among modes as well as ensure adequate and timely supply of facilities to meet development requirements in the nineties. The sector's development will also encourage greater integration between regions as well as between the rural and urban areas and improve accessibility to a wider range of basic amenities. Towards this end, the expansion and upgrading of roads and highways, railways, airports and ports, will be undertaken in a coordinated approach. Development in the sector will also integrate land use and management, growth of development centres, transportation, communications, energy and conservation of natural resources.

5.47 Infrastructural facilities will be extended to the new growth centres and to the less developed areas in order to improve accessibility in line with the overall balanced approach to development. Apart from this, greater regional spread of infrastructural facilities will promote efficient inter-regional up the less-developed areas through stronger linkages with the developed areas. The construction and upgrading of rural roads will further improve accessibility to the rural areas and complement the Government's efforts to alleviate poverty.

5.48 The provision of a wider and more efficient infrastructure system in an increasingly complex transport network with higher traffic densities will require substantial resources. While the public sector will continue to mobilize funds to meet these demands, greater private sector involvement will become increasingly important. In this regard, the Government, through its privatization programme will continue to promote private sector participation in the provision of these facilities. Apart from the provision of physical infrastructure, the Government will also concentrate on resolving issues confronting the sector such as pricing, cost recovery, regulation and intermodalism in order to raise the sector's performance.

5.49 While the existing capacity of the road network system is generally adequate to meet current requirements, the increasing pace of development requires additional capacity and improvements to the network be undertaken. New strategies will, therefore, be pursued to enhance the road network which will strengthen linkages between major urban centres and various industrial estates with the ports, airports

and the railway system. This will provide greater accessibility and more efficient links between the production, commercial and financial centres with the main outlets. In addition, counter-measures will be undertaken to reduce congestion in the major urban centres. Special attention will be accorded to road safety issues. This will include a review of the driving licensing system, systematic enforcement of traffic regulations, traffic safety campaigns and educational programmes.

5.50 As part of the efforts to upgrade the quality of life in the urban areas, the provision of modern sewerage facilities will be accelerated. In addition to alleviating the pollution problem and improving the environment and living standards, these measures will also promote tourism. Towards this objective, centralized and decentralized sewerage projects will be undertaken with priority given to state capitals and major towns as well as tourist resorts.

5.51 In line with the strategy to upgrade the quality of life, especially of the rural poor, specific programmes will be undertaken to improve accessibility to basic amenities. Since inaccessibility to piped and hygienically treated water is largely a rural problem, special focus will be on removing factors impeding physical and economic accessibility of the rural households to water supply. In view of the rising demand, the nation's water resources will be developed on an inter-basin level and on a long-term perspective to incorporate intersectoral and inter-state needs as well as environmental protection requirements.

5.52 The expansion and improvements in telecommunications services will be important for the growth of the industrial and services sectors. A national policy on telecommunications will provide the strategies to modernize and enhance the rate of growth in both new and traditional telecommunication services. Increasing efficiency through greater competitiveness in the sector will be stressed to encourage innovation and attract new investment into the sector. Emphasis will also be given to the expansion of these services to the rural areas. Modernization of the postal services will be stressed, particularly through further computerization. In addition to reducing delivery time, further improvements to the one-stop payment system will be undertaken.

Energy

5.53 Recognizing the importance of the availability of energy at economically acceptable cost and in sufficient quantity, the Government will ensure a comprehensive and adequate development of the energy sector to meet the energy requirements of the nation. On the supply of energy resources, the policy thrusts will continue to emphasize long term diversification options and the development of conventional and non-conventional sources that can ensure least-cost development. On the other hand, demand management policies will focus on the potential for increasing efficiency of energy use in the main energy-using sectors and identify measures that will form an appropriate demand management programme. These measures will include pricing incentives, aimed primarily to influence interfuel substitution, eliminate waste as well as increase participation of the private sector in the development of the energy sector.

5.54 A major development in the energy sector will be the nation's entry into an era of greater utilization of natural gas as an alternative energy resource, particularly to fuel oil. Apart from being the least-cost option to power generation expansion in the medium term, its development will also be a basis for downstream activities in energy-based industries to provide an added catalyst to accelerate industrial growth. In addition, better utilization of gas resources will greatly reduce dependence on oil imports and allow larger exports of oil. As gas is a cleaner fuel its increased utilization will contribute positively to the environment. In line with this, the period of the 1990s will see the nation embarking on programmes and projects towards the greater utilization of its natural gas, both in the power and non-power sectors of the economy.

5.55 In the power sector, apart from the greater utilization of gas in electricity generation, the exploitation and development of hydro resources will also be emphasized. The development of large hydro resources, particularly those in Sarawak, will provide a potential source of energy supply to meet the rapid increase in electricity requirements in the Peninsula as well as in Sabah and Sarawak.

5.56 Although coal currently ranks low as a source of energy supply its prospect in the longer term is bright given the significant availability of known reserves in Sarawak- For the power sector, its usage will be in terms of blending with imported coal as well as the development of mine-mouth generation. The use of coal for greater industrial applications will also be promoted, particularly in the cement and brick industry as well as for industrial boilers.

Social Services

5.57 The overall thrust of social services development during the nineties will be to strive further towards the achievements of the nation's socioeconomic objectives as well as the development of a caring society. The development of social services in the OPP2 will focus on education and training, health and population, housing, environment and conservation and other social services such as youth and sports development, library services, social welfare, broadcasting and information.

5.58 Efforts in the field of education and training will be continued to produce citizens imbued with the appropriate balance of suitable knowledge and skills, emphasizing science and technology, positive spiritual and moral values, responsibility, innovativeness, adaptability and the capability of contributing effectively towards the development of a harmonious, Prosperous and united nation. Measures will continue to be undertaken to rationalize and strengthen the existing education and training delivery system with a view to upgrade quality, promote greater equity and accessibility to education and training as well as cater to the needs of developing a competitive economy. Such measures will also be undertaken in the context of a continuing human resources development programme in line with the NDP objectives.

5.59 With increasing awareness and demand for suitable education and training at all levels, measures will continue to be undertaken to increase the national capacity for education and training facilities. Priority will be given to strengthen primary and secondary education to provide a stronger foundation in education which includes numerical and communication skills as well as scientific and technological aptitude. The vocational and technical education system will also be rationalized to effectively contribute to the human resources development objectives.

5.60 Measures will also be taken to complement the requirements for developing a competitive national economy through the provision of highly skilled and productive manpower, innovation through R&D, as well as the development and application of appropriate technology. Continuous efforts will be made to rationalize the higher education system in order to produce the manpower required by industry. In this respect, research and post-graduate programmes in institutions of higher learning will be strengthened in collaboration with industry. Accordingly, teaching and research capabilities and logistics in such institutions will be strengthened to ensure their effectiveness in contributing to the requirements of the economy.

5.61 The capacity of the formal education system to provide education for all is limited. To supplement this, greater efforts will be taken by the public sector to strengthen and expand non-formal education and training facilities for those who leave the formal education system. The private sector will be encouraged to complement this effort. Measures will also be taken to gradually extend general education from nine to eleven years by reciprocally increasing the physical facilities and number of teachers.

5.62 Besides expanding the capacity of higher institutions to cater for more intake of students, the feasibility of introducing distance education, such as establishing an open university, as a measure to expand opportunities for higher education in the country will be studied. The pursuit of higher education overseas will still be encouraged, especially for various specialized courses and disciplines and the need to gain knowledge and experience from more advanced industrialized countries.

5.63 Due to possible resource constraints in the public sector, the private sector will be encouraged to further complement the Government's efforts in providing education at predegree level. The monitoring and evaluation of private sector operations in education and training will be strengthened so as to ensure quality education is provided consistent with Government policies.

5.64 The development of specialized skills in industry, especially at the technician level, will be expanded to provide the skills required for the industrialization process. Efforts will be made to rationalize and streamline the vocational, technical and

industrial training systems. Towards this end, emphasis will be given to upgrade the quality of instructors as well as appropriate restructuring of the curricula so as to ensure greater adaptability to the needs of industry.

5.65 The attainment of Health for All (HFA) by the year 2000 will continue to be the desired overall objective of the health sector during the post 1990 decade. The overall strategy of HFA will be to further develop, strengthen and maintain an efficient and effective health services delivery system to ensure more equitable distribution, greater accessibility as well as improved quality and mix of health services, particularly for the rural community. The existing supporting strategies to the overall strategy involving the curative, preventive, rehabilitative and promotive aspects of health care will be continued. The quality of rural health services will be strengthened through the upgrading, renovation, and refurbishing of health care facilities and continued development of quality and experienced personnel.

5.66 In the light of increasing costs of health services and the concentration of private health care facilities in the urban sector, alternative viable sources of financing and mechanisms to effect a wider distribution of private health care facilities will be developed. However, this will be done within the context of ensuring the continued provision of quality and affordable health services to society as well as greater accessibility to such services. The mechanism for financing and distribution of health care facilities should also be supported by measures to ensure quality assurance through utilization review programmes.

5.67 Family development will continue to be emphasized towards improving the qualitative development of human resources. The strategies will include the provision of counselling services, preventive health care promotions and education, nutrition and child care. In this regard, the mass media, parents and voluntary organizations will play a crucial role.

5.68 Industrial and occupational health safety will be further enhanced by incorporating it in the medical undergraduate curriculum. General practitioners, industrial nurses and medical assistants will be trained in the field of industrial and occupational health safety in order to strengthen and upgrade the occupational health safety services. The establishment of an institute for occupational health

safety will further enhance the effort towards workers' health and safety.

5.69 The objective of the housing policy is to ensure that Malaysians, particularly the low income group, have greater access to adequate and affordable shelter and related facilities. The emphasis will be on facilitating the development of houses based on the human settlement concept. Under the human settlement concept, communities will not only have access to suitable and affordable housing but also be provided with social services and amenities necessary for the attainment of a better quality of life.

5.70 Housing development, apart from being an important socioeconomic activity, will be reinforced as a means of attaining national integration and unity. In this regard, housing development and house ownership will be closely monitored to reflect the ethnic composition of the country in order to foster inter-ethnic interfacing. The Government will ensure that housing development and ownership will be undertaken in accordance with these objectives.

5.71 Consistent with the need to support the development of the agricultural and industrial sectors, housing development will focus on the provision of suitable and adequate housing for the workforce. In the case of the industrial sector, the identification and development of industrial zones will be closely coordinated with housing development to ensure the timely and effective provision of housing and social services and amenities for the industrial community.

5.72 In anticipation of the increasing demand for housing, efforts will be made to continually identify potential areas for human settlements. These efforts will be undertaken within the framework of the National Spatial Plan and structure plans undertaken by the respective Federal agencies and State Governments. In the rural areas, the Village Regrouping Programmes will continue to be undertaken based on the human settlement concept in order to effect the economics of location and the provision of infrastructure and social services. This will assist in reducing the rural urban migration which will have adverse implications on the rural areas if left unchecked. In addition, the Village Rehabilitation Programme will be continued to benefit the target groups under poverty eradication.

5.73 The development of the housing sector will also require the involvement of the private sector to complement the public sector's efforts. In this respect, the efficiency of the housing delivery system will be improved through institutional support, flexible regulation and greater accessibility to housing finance, with a view to delivering houses at reasonable prices for various income levels.

5.74 Efforts undertaken to inculcate positive values as well as improving the quality of life and the general well-being of the society through sports, youth development, community development, library services, social welfare services, information and broadcasting and culture will be continued. Measures will be undertaken to ensure equitable distribution, greater accessibility and cost effectiveness in the development of these services. In addition, the development of manpower required for the efficient and effective management and operation of such services will be emphasized.

5.75 Both the social and economic value of sports will be emphasized during the OPP2 period. With the increasing consciousness of the value of health and fitness there will be increased demand for the provision of sports facilities in the country. Apart from this, the Government will encourage the development of sports not only for the purpose of enhancing national prestige and tourism, but for enhancing greater national integration. Towards this end, efforts will be taken, within the framework of the National Sports Policy, to develop a nation of sportsmen as well as to promote Malaysia as a centre for selected international sports tournaments and competitions.

5.76 In order to effectively contribute to the development of a well-informed and technologically-competent society with positive values and attitudes, radio and TV broadcasting, information services as well as other related mass media services will be reviewed and rationalized. Efforts will be made to ensure that radio and TV, and other related mass media will promote the awareness and appreciation for the need to strive for the development of balanced and well informed individuals in attaining a more progressive society.

5.77 The role of library services will emphasize the promotion of reading habits with a view to developing a well-informed and knowledgeable society with greater aptitude for technology and innovation. Library development will also emphasize greater

accessibility as well as efficient service in the promotion of a learning culture in society.

5.78 The recent strategy of developing a more caring society will be further emphasized, particularly to cater for the aged, disabled, and the less fortunate. The provision of social welfare services will be intensified and effectively applied to enable the less fortunate to enjoy better standards of living.

Conclusion

5.79 The strategies under the OPP2 will build upon past achievements to further strengthen the process of growth and income distribution. The principal thrust will be the promotion of a more balanced, broad-based, resilient and internationally competitive economy so as to provide the foundation for attaining the status of a fully developed nation by the year 2020. Towards this end, the dynamism of the private sector will be further enhanced. Pragmatic and flexible economic strategies that have been the hallmark of Malaysian economic management in the past will be continued and strengthened. Increased efforts will be placed on improving resource mobilization, increasing efficiency in its utilization to raise productivity and enhancing technology development within the major sectors of the economy. In order to attain long term sustained development, Malaysia will need to successfully increase agricultural productivity, deepen and widen the industrial base and develop the services sector as a leading growth sector in the economy. All these efforts will contribute towards redressing socioeconomic imbalances by providing wider opportunities for the poor and disadvantaged groups to seek alternative sources of income and participate in the modern sectors of the economy.

Bab 6 – Pembangunan Sumber Manusia

Introduction

6.01 Malaysia is undergoing economic transformation and is fast entering an era of rapid industrialization. The continuation of this process into the nineties will undoubtedly place new demands on high-level technical skills, management and entrepreneurial capabilities as well as increased technological development and improved capital utilization. To support and sustain this development process, it is essential for Malaysia to develop a disciplined workforce with a broader skill base and equipped with positive work ethics and culture. The development of increased capability of Malaysians with the right motivation for work and productivity will be necessary to enable Malaysia to stay ahead and maintain its competitive edge and thereby achieve the goal of becoming a fully developed nation by the year 2020.

6.02 An important facet in the development of human resources is the provision of opportunities for all Malaysians to participate actively and equitably in the economic life of the nation. In the process of restructuring the Malaysian society, education and training programmes will accompany ongoing efforts to redress inequalities in income, employment, and the ownership and control of productive resources among ethnic groups. Closer collaboration between the public and private sectors in human resource development is needed for the successful realization of this objective.

6.03 Another facet of human resource development is the inculcation of shared positive values, especially among young Malaysians. A strong sense of belonging, loyalty and love for the country will be further fostered. At the workplace, Malaysians should cultivate a greater degree of industrial discipline, and enhance the pursuit of excellence and the continual search for improvement, alongside other positive attributes such as honesty, integrity, diligence, dedication, cooperation, dynamism and creativity. An important means of inculcating these values will be a forward-looking and pragmatic education and training system geared to meet the future needs of the nation.

The Thrust Of Human Resource Development

6.04 The thrust of human resource development under the New Development Policy (NDP) will be to meet the objectives of growth and equity. The development of Malaysia in the next decade will depend on its human resources so as to build upon its rich natural resource base. Economic growth in a fast changing global environment requires increased use of knowledge and skills of the labour force. Greater emphasis will be placed on the development of educated, well-trained and flexible manpower to build upon present growth trends and productivity gains in the economy.

6.05 The creation of increased employment Opportunities and higher value-added activities are essential for the eradication Of Poverty and the restructuring Of society. In this regard, the Bumiputera comm in certain Occupational groups and key professional despite efforts made during the past 20 years. This notwithstanding, the noticeable increase in the number of Bumiputera employed in the professional and technical occupational category was mainly due to the large number of Bumiputera employed in the professional and technical occupational category was mainly due to the large number of Bumiputera in the nursing and teaching professions. Emphasis will, therefore, be given towards increasing further the number of Bumiputera professionals and technicians to enhance their role in the national economy.

6.06 Attention will be given to develop rural labour to enable them to enter the labour market that is becoming more sophisticated and technologically oriented. The rural labour force, who are predominantly Bumiputera, should shift from low productives traditional activities to high value-added modern sector activities. Improved access to better educational facilities, labour market information and new skills, as well as a strong spirit of labour force in the economic growth of the country.

6.07 An important aspect of human resource development is to incorporate the creative contributions of a multi-racial population to Promote growth and foster national unity.

Population, Labour Force And Employment

Population

6.08 The Population Of Malaysia is projected to increase from 18 million in 1990 to 22.7 million in the year 2000 Will be at a slower rate of 2.3 per cen per annum compared with 2.6 per cent during the decade of the eighties as indicated in Table 6-1. This is mainly due to the expected decline in overall fertility which results in smaller family size. The decline in fertility is attributable to the higher educational levels of the population, increasing urbanization, delayed marriages and improved standards of living. The projected population trend until the year 2000 is consistent with the population growth target envisaged under the 70 Million Population Policy. It is envisaged that at the present rate of population growth and expected declines in fertility in the future with socioeconomic development, this population size is attainable by the year 2100.

6.09 An important component of demographic change is the changes in age composition. During the next ten years, the population in the age group below 15 years is expected to grow at an average rate of 1.6 per cent per annum, reflecting the decline in the total fertility rate from 3.8 in 1990 to 3.4 in the year 2000. The proportion of this age-group in the total population will thus decline from 37.5 per cent in 1990 to about 34.8 per cent in the year 2000 as shown in Table 6-1. On the other hand, the proportion of those in the working-age group, that is 15-64 years, will increase from 58.8 per cent in 1990 to 60.8 per cent in the year 2000. The aged, taken to mean those in the age group 65 years and above, will register increases both in terms of absolute numbers as well as growth rates. This is due to increases in life expectancy as a result of overall improvement in the quality of life of the population.

6.10 These changes in the age-structure of the population of Malaysia will have significant impact on the economy. The growth in working-age population at 2.6 per cent per annum will mean that more employment opportunities must be created during the decade. Since the proportion of the working-age population is expected to be greater than that of those below 15 and those above 65 years old, the overall

dependency burden will thus decline from about 70 in 1990 to 64 by the year 2000 as shown in Table 6-1.

6.11 In order to improve further the quality of the population, the Government will continue to emphasize family development and welfare. Health and social services programmes will be directed at improving further the overall quality of life, particularly in the less-developed states. Recognizing the increase in the number of the elderly, greater consideration will be given to cater for the special needs of this group in the planning of health, welfare and social security services.

Labour Force

6.12 The total labour force, that is, those persons aged 15 - 64 who are both employed as well as unemployed, is expected to increase from 7 million in 1990 to 9.4 million in the year 2000, or an increase of 2.9 per cent per annum as indicated in Table 6-2. This growth of the labour force is the result of the increase in the working-age population as well as the expected rise in the labour force participation rate from 66 per cent to 68 per cent as shown in Table 6-3.

6.13 With rising levels of education and expanding employment opportunities, more women are expected to participate actively in the economy. The female labour participation rate is expected to increase from 47 per cent to 49 per cent during this period while the expected rate for males is at 86 per cent. Recognizing the need for higher quality female labour, programmes will be introduced to upgrade their skills so as to enable them to participate more effectively in the development process.

6.14 A labour force growth of 2.9 per cent per annum will add some 2.4 million persons to the labour force during the time span of the OPP2. The labour force will progressively be more educated, better trained and have an older age profile as indicated in Table 6-3.

Employment

6.15 In view of the increasing number of labour market entrants and the backlog of currently unemployed persons, employment policy will be directed towards increasing the rate of new job creation. Since employment income is a major source of

household income, the creation of employment opportunities, especially higher value-added activities will remain an important vehicle for raising incomes, reducing poverty, and restructuring the Malaysian society. All these hinge on measures which not only increase and sustain a high level of economic growth but also improve the labour market environment and upgrade the quality of human resources through education, training and retraining. The labour market information system will also be improved to minimize skill mismatches and facilitate labour mobility. The wage system too must be sensitive and responsive to changing market situations. Improvements in the quality of the labour force will enhance productivity and it is through this that workers' income can be increased.

6.16 Based on a real GDP growth of 7 per cent per annum, the demand for labour will increase by 3.1 per cent annually during the period. Total employment is thus projected to increase from 6.6 million in 1990 to 9.0 million in the year 2000. At this rate of employment growth, and with labour supply growing at 2.9 per cent per annum, the unemployment rate will be reduced from the 1990 level of 6 per cent to about 4 per cent of the labour force by the end of the decade, as shown in Table 6-2.

6.17 In the pursuit of improved utilization of labour in the economy, employment policy will take into account the profile of the existing unemployed. The incidence of unemployment is generally short-term in nature and is concentrated among the young. The educational distribution of the unemployed shows that about two-thirds of the unemployed have secondary education. The proportion with tertiary education has increased while those with no formal education or primary education now form a lower proportion of those unemployed. Since future entrants to the labour market are young, educated and more mobile, there is a need for more training to facilitate their absorption into the labour force.

6.18 The less-developed states generally have higher unemployment rates compared with the more-developed states which have greater employment opportunities. Thus, more employment opportunities will be created through the diversification of the economic base and the provision of better educational and training facilities in the less-developed states.

Employment by Sector

6.19 From a sectoral perspective, the largest share of new employment will come from the services sector. The manufacturing sector will account for 36 per cent of the new jobs created. The share of agricultural employment to total employment is expected to decline from 28 per cent to 20 per cent in line with the structural changes taking place in the economy as shown in Table 6-2.

6.20 The services sector is expected to create more job opportunities amounting to 55 per cent of all new jobs during the OPP2 period. Of the 1.3 million new jobs expected to be created in this sector, a major portion will originate from the distributive services subsector which comprises wholesale and retail trade, hotels and restaurants. In consonance with the overall growth of the economy, transportation, storage and communications; finance, insurance, real estate and business services as well as other services will add further to employment growth. Increasing employment opportunities will also be found in tourism-related activities and consultancy services. These opportunities will arise with the broadening and deepening of the services sector. The growth of employment in Government services is, however, expected to be moderate consistent with the Government's objective of reducing the size and role of the public sector.

6.21 Although the manufacturing sector will increase its importance in terms of value added, labour intensity or the rate of labour absorption in the sector will decline in line with increasing plant modernization and automation. As industries move towards higher value-added products, labour demand will be geared towards more skilled labour, requiring skill upgrading of the labour force. The sector is expected to account for 853,700 jobs or about 36 per cent of total new employment. The construction sector is also expected to register strong gains in employment, emanating from higher levels of public expenditure on physical and social infrastructure, as well as private investment in property development. About 237,500 new jobs are expected to be generated in this sector which will account for 10 per cent of total new employment.

6.22 The agriculture sector is expected to decline in importance in terms of its contribution to Gross Domestic Product and employment. The net reduction in

agricultural employment is due to the modernization of the sector and anticipated outmigration from rural areas as a result of educational upgrading and employment pulls from urban areas. However, the absolute value of agricultural output will register increases with the modernization and commercialization of agriculture as well as productivity increases in the sector. It will also remain an important sector accounting for 20 per cent of total employment.

Occupational Composition

6.23 The fastest growing occupations will be those related to administrative and managerial, sales, professional and technical, and production categories in line with the growth in manufacturing and tertiary sector activities as shown in Table 6-4. These occupations will account for 1.8 million new jobs or 76.7 percent of the new jobs created during the period. The demand for production workers alone, especially in manufacturing and construction activities, is expected to account for 38.5 per cent of the new jobs created in the economy during the OPP2 period.

6.24 The professional and technical category is expected to provide 320,000 new jobs during this period, of which 48 per cent will be in the technical occupations. The upgrading of production technology from simple assembly and process-type operations to the more sophisticated automated processes will generate a demand for about 153,000 engineers and engineering assistants during this period. This demand will be pronounced in the civil, mechanical, electrical and electronics fields. There will also be increased demand for scientists and technologists in research and development (R&D) activities. In view of the commitment towards maintaining and upgrading the quality of educational and health care services for the population, the demand for teacher as well as medical and health personnel will remain high during the period as indicated in Table 6-5.

6.25 For selected professional and technical occupations such as those in engineering, medical and health, as well as teaching, the net increase in employment is expected to be 244,000 by the year 2000. This will be met by both the domestic public and private sector educational and training institutions as well as those overseas. The scope for private sector involvement is substantial especially in the case of training for engineering assistants and technicians, where the private sector

is expected to produce 32 per cent of the projected demand of 122,900 during the period. This is in line with the policy of encouraging greater private sector participation in human resource development.

6.26 In the administrative and managerial category, changes in job content are expected to accompany the growth in management jobs. Managers and supervisors both in the public and private sectors will, therefore, need a wider range of technical competence to handle more complex operations as well as oversee a greater mix of capital equipment and skilled employees. With regard to sales and clerical occupations, greater stress is being placed on a higher level of product knowledge, inter-personal communication skills, keyboard skills, software knowledge, and wider commercial awareness. A total of 828,600 new jobs will be created in these three occupational categories as shown in Table 6-4. Local educational and training institutions will be able to cater to the educational and training needs of these occupations.

6.27 In the agricultural workers category, a net reduction in employment is expected as more educated and better trained Malaysian workers opt for employment in the manufacturing and services sectors. Nevertheless, with increasing R&D in upstream activities and application of new technologies as well as mechanization, the productivity of agricultural workers will be further enhanced.

6.28 With greater industrialization and the adoption of new technology, more skilled workers at the production level will be required. This will lead to an increased demand for manpower with wide craft-based competence and complementary skills. Priority will be given to increase the utilization of existing educational and training institutions as well as to expand these facilities. At the same time, more training facilities at the certificate and diploma levels will be established. As the process of education and training is geared to meet the future manpower needs of the nation, education and training programmes will be more scientifically and technologically oriented. In order to provide Bumiputera especially in rural areas greater access to higher education, more residential schools and improved facilities will be provided.

Poor non-Bumiputera will also be provided with greater access to residential schools and improved educational opportunities to enhance their socioeconomic mobility.

6.29 Although more educational and training facilities will be expanded and established both by the public and private sectors, Malaysians will still be encouraged to study abroad and gain valuable overseas experience. This will enable Malaysians to bridge the technological gap by learning new technologies and management techniques. In line with this, the Government will still continue to send Malaysians to study overseas in reputable institutions and in selected fields. This will enhance efforts in removing socioeconomic imbalances.

Women in Development

6.30 The last two decades have witnessed an increasing participation of women in the development process. In 1988, female workers made up about 35 percent of the labour force. About 82 percent of female workers were found in wage employment and unpaid family work. Although narrowing, wage differentials between males and females continue to exist in certain economic sectors. Recognizing the vital role of women in development, future policies will focus on ensuring wider employment opportunities for them. More training and retraining facilities will be provided so that female workers can adapt to new technologies as well as improve their mobility within and across occupations. At the same time, labour market information will be improved to provide them with knowledge of job availability and requirements. To encourage higher level of labour force participation particularly among married women, additional measures are being considered to enable women to participate in productive employment and, at the same time, fulfil their responsibilities in the family.

Wages

6.31 In order to sustain high rates of economic growth, efforts will be made to meet the demand for labour, among others, through more competitive incentive packages. The private sector will be encouraged to offer such incentives in line with the labour market situation to attract more Malaysian workers to enter the plantation and other subsectors where labour shortages exist.

6.32 The experience of the eighties showed that for the organised sector, wages had been fairly rigid and inflexible in relation to productivity and profitability. This was due to the contractual nature of collective agreements which do not allow for wage adjustments in times of economic downturn and poor company performance leading to retrenchment of workers. In the long run, rigidities in wages will limit the creation of job opportunities and affect the welfare of workers. Requests for wage increases without regard to the firms' capacity to pay will have negative effects on both workers and employers, thus affecting the capacity of the economy to create more jobs and encourage new investments. It is, therefore, necessary that workers and employers work together to ensure a harmonious relationship that will provide the basis for a competitive labour market.

6.33 While it is recognised that wage levels need to increase in order to improve income levels and standard of living, Malaysia's competitiveness, especially in the export sector, has to be safeguarded. To ensure competitive unit costs of production, wage increases will have to be related to productivity. A better system of wage adjustment which relates wage movements to productivity changes is in the best interests of both workers and employers. While providing more incentives for employers to operate at higher employment levels, the system will also result in less labour retrenchments during economic downturn. In this regard, the Government will work towards a wage system that accommodates movements in both wages and productivity.

Manpower Development

6.34 The future growth of the economy will place greater demand for a high quality labour force which is versatile and which adapts quickly to a changing industrial environment. A skilled and productive workforce is a prerequisite to maintaining a favourable investment climate and the competitive edge of Malaysian products in the world market. To meet this demand, the education and skill delivery system will be made more responsive to the requirements of a dynamic labour market. Education and training will continue to emphasize the inculcation of positive and progressive values, including good work ethics and industrial discipline.

6.35 Despite efforts in manpower development, disparities still continue to exist between urban and rural areas. As such, continued emphasis will be given to provide the rural population with the necessary facilities to upgrade their education and skills, thereby increasing their access to and participation in modern sector activities. The provision of equal opportunities and improved facilities will help eliminate the disparity in the quality of education and training between urban and rural areas, and among the different segments of society.

6.36 Present trends in the demand for industrial manpower indicate the need for a labour force with broad-based education emphasizing mathematics, science and communication abilities as well as proficiency in English as a second language. These attributes will provide the foundation for a trainable labour force which can adapt swiftly to the changing technological needs of the country. In this regard, improvements in the school curriculum will continue to be made, particularly at the primary and secondary levels, and teachers will be better equipped to teach mathematics, science and communication skills. More investments will be made in expanding facilities and enhancing the quality of teachers in primary and secondary education as these are the important building blocks for the future labour force.

6.37 In order to ensure that the skills of our workforce are relevant, there has to be regular and close monitoring of the curricula of the educational and training institutions to meet the demand for new skills arising from rapid technological developments. Both teachers and students must be exposed to changes in industry to ensure that the output of the education and training delivery system is in line with labour market needs. Educational and training facilities must adapt quickly to facilitate efforts in producing suitably qualified manpower. This can be done through increased private sector participation both in the areas of curriculum development as well as in the provision of training facilities. In addition, a wider dissemination of labour market information through various media will be undertaken to ensure that the potential workforce is aware of the changing market needs and training opportunities available.

6.38 The rapid industrialization of the economy accompanied by significant industrial restructuring is expected to create pressures on skill demands. Experienced engineers and technicians, managers, advanced-level machinists, tool, mould and

die makers, as well as other skilled and technical manpower will be demanded, especially following the growth of export-oriented industries such as chemicals, rubber products, electrical and electronic products, textiles, wood products, and plastic products. At the same time, there will be increased demand for researchers, scientists and support technicians in line with the emphasis placed on the role of S&T and R&D as an integral component of development.

6.39 Critical industrial skills such as tooling and fabrication of precision parts and components, precision instrument calibration and product design are essential in providing the basic support to manufacturing industries. Equally important are electronics and computer-based skills, as well as mechatronics. As such, training institutions must give greater emphasis to the production of these types of manpower, particularly those related to intermediate and higherlevel skills. Apart from skilled manpower, there is also the need to produce manpower at the managerial, supervisory and maintenance levels. In developing these skills, emphasis should also be placed on leadership qualities such as creativity, innovativeness and entrepreneurship.

6.40 The current industrialization strategy calls for the retraining of the existing workforce to equip them with specialized and up-to-date skills since production techniques will become increasingly automated and complex. Thus, there is a need to promote enterprise-based training to enhance the quality and adaptability of the workforce to ensure the competitiveness of Malaysian products in the world market. In this respect, the role of the private sector in industrial training is critical. Accordingly, a higher level of involvement of the private sector in formal industrial training will be encouraged so as to contribute to the overall effort of increasing the pool of skilled labour in the country.

Scientific and Technological Manpower

6.41 The number and quality of scientific and technological manpower is crucial for S&T development. The current number of full-time research scientists and technologists has been estimated to be approximately 7,000. This gives a ratio of 400 per million population which is low compared to the ratios ranging from 3,500 per million to 6,500 per million found in industrialized countries. By the year 2000,

Malaysia will aim to achieve a higher ratio of S&T personnel to around 1,000 per million in line with the target of doubling the current percentage share of R&D to GNP.

6.42 In view of the thrust to develop a strong S&T base to enhance industrial competence and competitiveness, substantial investments will be made in educational and training facilities to produce the type of high-level manpower needed by industry especially in carrying out research and development activities. Emphasis will be given to address three main levels of manpower requirements, namely at the plant and operational level where the labour force need to be technically competent, in teaching and training as well as in R&D. The development of S&T manpower must therefore be seen in terms of an integrative and continuous process of education, training, and continuing education and retraining.

6.43 A programme of inculcating S&T awareness starts at the lowest levels of education in which the young are instilled with the spirit of inquiry, initiative, scientific and creative thinking, and equipped with problem-solving skills. Basic primary and secondary education will be further strengthened to develop students who will have a strong education base that will enable them to adapt and respond to the rapidly changing technological demands of the future. Towards this end, concerted efforts will be undertaken to enhance the teaching of science, mathematics, English and communication skills at the primary and secondary levels. At the post-secondary level, technical training and the inculcation of creativity will be given priority attention. For technical institutes, polytechnics, and universities, avenues will be provided for industry participation in curriculum planning and development. Increasing opportunities for continuing education and expanding post-graduate education, particularly that related to S&T, are crucial steps in developing R&D personnel. A wider dissemination of S&T information materials, books and other educational and teaching materials and aids to schools and training institutions will be effected to further complement efforts at enhancing S&T awareness among students.

6.44 In addition, the scope of S&T manpower development will encompass the issue of managing S&T development. An effective S&T management system will link both the demand and supply aspects as well as creating a highly dynamic and motivated R&D personnel. Accordingly, the Government will adopt relevant policies and

strategies that will, among others, strengthen S&T management and provide increased avenues for the private sector to play a meaningful role in the development of industrial technology. Furthermore, effective interaction among the public sector, industry and academia will be fostered. The commercialization of industrial research output to stimulate indigenous market-driven and user-oriented research will be promoted. Present efforts to commercialize the products of R&D are constrained by existing rules and regulations. In this regard, measures will be introduced to provide flexibility and remove constraints to support commercialization efforts of R&D activities.

6.45 Technological development must be well supported by R&D efforts. This will enhance the nation's capability to adopt, adapt, and improve technology as well as promote the development of indigenous technology. In this regard, the establishment of Centres of Excellence within and among universities and training institutions will be encouraged. Institutions involved with R&D activities must work closely to improve innovativeness and to ensure that the knowledge and skills developed will be industry-related. In this aspect, collaborative financing of R&D efforts between institutions and industry as well as the exchange of R&D personnel between the two sectors will be encouraged. To ensure adequate supply of R&D manpower, closer that can attract new R&D personnel.

6.46 In the nineties, knowledge and skills required will not be single discipline-based, but will be orientated towards a mix of technical, statistical and computer-based disciplines. This will equip future manpower to handle new and emerging technologies such as automated manufacturing technology, advanced materials, biotechnology, electronics and information technology. Skills development will, therefore, focus on these areas so as to ensure our technological advancement, industrial growth and competitiveness.

6.47 Along with the expected growth of the economy and increases in income of the work force, there will be an expansion of activities in the services sector. In line with this, suitably qualified and skilled manpower is required to support the services subsectors such as finance, banking, freight, insurance, hospitality and leisure services as well as management, consultancy services, information technology and other professional services. Therefore, the education and training institutions will be

geared towards producing skills in management and finance, information technology and computer literacy.

6.48 There is the need to develop a strong, aggressive and highly motivated business sector in Malaysia. In order to achieve this, the education system will be tailored to provide the means for acquiring knowledge, understanding and insight into the business process as well as to create the awareness of economic opportunities. An environment will be provided to develop and nurture entrepreneurship among Bumiputera, especially from an early age. Entrepreneurship training will also be introduced into the industrial and vocational training system for small businesses and self-employment.

Institutional Changes

6.49 Economic development taking place in the country will generate greater demand for trained manpower. Entry into foreign educational and training institutions is, however, becoming more restrictive and limited especially in the professional and technical fields. At the same time, the cost of foreign education is continually increasing. Under these circumstances, greater demand will be placed on available domestic educational and training facilities in both the public and private sectors. The Government will increase its investment in education and training at the higher level. However, as the establishment of new educational and training facilities is expected to incur high costs, these efforts will have to be complemented with other measures to encourage a fuller utilization of existing facilities. This will be done through such measures as off-campus schemes, distance learning and open university programmes and the expansion of specialized classes for continuing education, as well as making available training space and equipment to the private sector to conduct their courses in public training institutions. Through these efforts, more Malaysians would be able to enhance their educational attainment and upgrade their technical competence. In addition, the Government will encourage greater private sector participation in higher education, especially in providing technical and professional courses and through twinning programmes with reputable foreign institutions.

6.50 More resources will be allocated to training institutions providing skilled training in order to equip them with the latest state-of-the-art technological facilities and equipment. At the same time, the system of managing training institutions will be reviewed to provide greater flexibility and autonomy to the institutions in the decision-making process relating to course design, curriculum planning and management of the institutes. This will enable training establishments to institute measures to respond more effectively to local labour market needs.

6.51 Vocational and technical training in particular is vital for the production of skilled manpower to support the industrialization programme and the growth of the modern sectors of the economy. In this regard, the private sector can also play a dynamic role. Areas where private sector involvement can be increased include education training at the certificate and diploma levels in both general and technical fields. The private sector, on its own initiative or with Government collaboration, will also be encouraged to set up Specialist Training Centres for the production of skills related to new and emerging technologies.

6.52 Trainers and instructors in vocational and technical training institutes will be expected to be up-to-date, industry-oriented and possess hands-on-experience. In this respect, they will be encouraged to undertake consultancy work in order to increase their industry exposure. This should complement present efforts to create greater dynamism and creativity among the trainers and instructors in these institutions. Training programmes for senior managers in the public sector will provide greater focus on S&T issues to enhance their awareness of emerging trends in S&T areas.

6.53 As jobs become more complex and knowledge intensive with industrialization, the demand for supervisors, technicians, and skilled workers will continue to expand. At present, there are only minimal formal training facilities for the development of skilled manpower at these levels. The establishment and expansion of polytechnics will help to ease the shortage of supervisors, technicians, and skilled workers. These institutions will not only provide technical training tailored to a particular industry, but also generic skills that are required by a wide range of industries. The skill

accreditation system will also be reviewed and expanded to include skills in the new and emerging technologies as well as skills higher than the advanced level.

6.54 The role of existing training institutions at the diploma and certificate level will be reviewed in order to reduce duplication of function, increase training specialization, and focus their training towards the needs of industry. Apart from involvement in the management, co-financing and curriculum development of these institutes, the private sector will be jointly involved in the training and job placement of apprentices.

6.55 At the tertiary level, programmes and course contents will be continuously monitored and adjusted to meet the changing needs of the labour market. Programmes aimed at providing more practical attachment for undergraduates in firms, practical training as well as the development of entrepreneurship will continue to be given priority. Universities will develop more post-graduate programmes to meet the R & D needs of industry.

6.55 At the tertiary level, programmes and course contents will be continuously monitored and adjusted to meet the changing needs of the labour market. Programmes aimed at providing more practical attachment for undergraduates in firms, practical training as well as the development of entrepreneurship will continue to be given priority. Universities will develop more post-graduate programmes to meet the R&D needs for industry.

6.56 As the process of industrialization speeds up, greater demands will be made on public educational and training institutes to be more market driven. Therefore, public training institutes will have to interact more closely with the private sector. The provision of matching grants by the Government for special research projects conducted by the private sector in identified priority areas and other forms of collaboration with the private sector will be further expanded. Universities and training and research institutes will be able to bid for such funding and this will ensure that the more creative and dynamic institutions which undertake market-driven research activities will get the necessary financing.

Positive Values and Attitudes

6.57 Positive values and attitudes among Malaysians have been moulded through the intermingling of their multi-ethnic communities and cultures. This is complemented further by the various religious practices and values. The Rukunegara sets out the five basic principles to be adhered to by all Malaysians, namely, Belief in God, Loyalty to King and Country, Upholding the Constitution, Rule of Law, and Good Behaviour and Morality.

6.58 Efforts to build a strong and united nation rest on human resources with positive values and attitudes which are manageable not only at the work place but which also promote the upholding of societal values outside the work environment. It is important, therefore, that Malaysia's human resources have a healthy and positive view of the nation such as pride, love and loyalty to the country as well as a strong respect and commitment to the democratic process.

6.59 As Malaysia moves towards an industrial-based economy, Malaysians need to be imbued with positive values. These include integrity, discipline, punctuality, cost-consciousness, hardwork and diligence. It is the result of all these that contribute to quality labour force that will provide the necessary competitiveness of the Malaysian economy. The inculcation of these values will require improvements to be made in our education and training systems. Teachers and instructors, who form the base line moulders of the future industrial workforce, will be reoriented to meet the new challenges of developing such values. The Government will introduce motivational and attitudinal training programmes in order to develop such values and make Malaysians more responsive to the demands of development.

6.60 In order to enhance the importance of the pursuit of dedication, creativity and excellence, the Government will continue to give recognition to those who excel in their field of expertise so as to enhance their standing in society. National and state-level competitions will be held to encourage those with skills and abilities to vie for honours. These efforts will encourage the pursuit of excellence and the development of an efficient and disciplined workforce.

Conclusion

6.61 The nineties will be a challenging decade for human resource development. This is because the economic transformation towards greater industrialization depends not only on capital resources and technological development, but also on the quality of available human resources. In the final analysis, it will have to be Malaysians who create new growth opportunities, open new markets, and generate new and competitive products that contribute to the growth and prosperity of the economy. As such, Malaysians should be technically competent and enterprising. It is equally important for our future workforce to be diligent, dedicated, creative, highly disciplined, quality conscious and adaptable to the changing economic environment.

6.62 The task of creating and nurturing such manpower will rest on a pragmatic education and training delivery system that is sensitive to future changes and the needs of the market. The system will aim at producing quality and skilled manpower that will make Malaysia more competitive in the region. To be able to do this, the delivery system requires a more effective involvement of the private sector in education and training. Above all, the development of a dynamic and high quality industrial workforce depends on an environment that inspires all Malaysians to strive for excellence and to participate as equal partners in national development.