

A translation of the speech by Prime Minister Datuk Seri Dr Mahathir Mohamad

Dr M: New policy

18 JUN 1991

TODAY is a historic day for us. Malaysians have been waiting anxiously to know the successor to the New Economic Policy (NEP) which expired at the end of 1990. Indeed, the keen interest shown by Malaysians about the shape of our new policy indicates that we all have a keen sense of responsibility for the nation and we are concerned about our future and the future of the nation.

This augurs well for the nation since ultimately it is the commitment of the people to our national goals that will ensure the success of the development efforts for our own benefit.

It has often been said in international circles that development plans in Malaysia are meant to be followed. In other words we take our plans very seriously. Many observers have also remarked that the objectives, targets and strategies that we set in our plans are well thought out, realistic and achievable and that, by and large, we have been successful in achieving what we set out to do. This was largely so with the OPP 1 and the NEP. God willing, we will continue to maintain this track record by improving further our capability to plan and to implement our plans by mobilising all the resources of the nation to achieve our objectives.

The racial riots of 1969 shocked us into realising the political and social imperatives of addressing and resolving the twin problems of poverty and racial socio-economic imbalances facing the nation at that time. Since the new generation of Malaysians are generally not aware of the events in 1969, it is necessary to remind them and also ourselves that in a multi-racial society like ours, the existence of socio-economic imbalances along racial lines is not conducive to stability or national unity. Accordingly, efforts to perpetuate socio-economic imbalances along racial lines will only lead to instability and disunity in the country.

omy of the nations involved. The objectives that we had set for ourselves in the OPP 1 and the NEP were therefore fraught with all kinds of pitfalls and dangers.

Let me now briefly deal with the progress we have made during the last two decades in implementing the NEP.

Since 1970, Malaysia achieved a rapid and sustained growth. The real GDP growth averaged 6.7 per cent per annum during 1971-1990 despite the effects of a very severe recession in the mid-1980s.

The impetus for the rapid rate of growth achieved during the decade of the '70s came as a result of a high level of public sector involvement in the economy. Such a high public sector profile arose from the need to continue with the social and physical infrastructure development begun since independence. It also arose because of the overriding need to achieve the objectives of the NEP in the face of a comparatively underdeveloped private sector.

As a result, public sector investment as a proportion of total investment increased steadily from 32 per cent in 1970 to a peak of 50 per cent by 1982. Despite improvements in the domestic savings rate, the increasingly high level of such investments had to be financed by external debt.

While we have been successful in achieving the growth targets and in meeting many of the country's socio economic goals, dependence on the public sector was found to be unsustainable.

In addition, high public sector involvement in direct productive activities, especially by the Non-Financial Public Enterprises (NFPE) had not yielded the results that were expected of them. Indeed their performance in most instances was dismal, very much the way State-run enterprises in other countries disappointed their protagonists.

Our response to the serious problems of unsustainable deficits in the public sector budget and in the bal-

economy has returned to a high growth path. With economic expansion, the unemployment rate has been reduced from 7.4 per cent in 1970 to six per cent in 1990, resulting in a tightening of the labour market and improvements in wage levels for the workers. The per capita income, in nominal terms, has increased more than five-fold from \$1,106 in 1970 to \$6,180 in 1990.

The recent progress of the economy exceeded all our expectations. In the manufacturing sector alone, total approved projects increased from \$9.1 billion in 1988 to \$28.2 billion in 1990, a three-fold increase in three years. This shows the confidence investors, particularly foreign investors, have in the attractiveness of our econo-

household income for the bottom 40 per cent of households in Sabah and Sarawak also showed an increase from \$68 to \$390 and \$74 to \$436 respectively. In fact, 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, resulting in an improvement in income distribution.

The most important factor influencing the improvement in rural incomes and the reduction of income inequalities is the changing pattern of employment. With economic growth and the rapid expansion of the industrial sector, there are now more employment opportunities in the non-agricultural sectors.

The launching of the NEP in 1970 marked the beginning of our efforts at socio-economic engineering designed to bring about a more equitable distribution of wealth between the different races and groups in the various strata of society. The main thrust of this socio-economic engineering was embodied in a two-pronged approach aimed at:

- Eradicating poverty ir-

ance of payments took the form of sharp and painful adjustment measures undertaken from 1984 onwards. These included restraints on public sector expenditure, reduced public sector involvement in the economy as well as a reversal of the past practices of using public sector expenditure to boost demand and growth.

In order to offset the de-

my as well as in our pragmatic policies.

Manufactured exports and tourism earnings have shown a remarkable performance never achieved in the past. The inflows of export earnings and foreign capital were larger than ever experienced before, providing strength to the economy as well as enabling the country to maintain a satisfactory level of reserves, which is important for sustaining growth and keeping the inflation rate low.

There is general consensus in the country that very substantial progress has been made in eradicating poverty and that the achievements have been better than expected. The national incidence of poverty has declined from 52.4 per cent in 1970 to 17.1 per cent in 1990. In Peninsular Malaysia, the incidence of poverty has declined to 15 per cent while in Sabah and Sarawak, it declined to 34.3 per cent and 21 per cent respectively. This reduction is a significant achievement by international standards although the poverty line of \$370 for 1990 is far above those used in many developing countries to define poverty.

According to international institutions, such as the World Bank, we have been very generous with our definition. Obviously, if the poverty line income was lower, we will get a much lower level of poverty, as found by the estimates made by other institutions.

During the period of the last two decades, about 480,000 households in Peninsular Malaysia have been lifted out of poverty. Poverty is not a serious problem anymore in Peninsular Malaysia as it used to be in the 1970s but in Sabah and Sarawak, although the incidence of poverty has declined sharply, it is still high compared to Peninsular Malaysia.

With the progress in eradicating poverty, the mean monthly household income for the bottom 40 per cent of households in Peninsular Malaysia has increased from \$76 in 1970 to \$421 in 1990. The mean

As a result, there has been a steady trend in the country for the rural poor to leave their traditional low-income agricultural activities and move into higher-paying employment in the manufacturing, construction and services sectors.

Among most rural households today, traditional agriculture is no longer the only source of income because their children can now get other kinds of employment in the nearby cities and towns to supplement the family income. Clearly the structure of employment and the income sources of the people, especially those in the rural areas, have changed with economic growth.

The Government's rural development programmes have played a major role in enabling the poor to diversify their employment and sources of income. The most important of these programmes is, of course, education as it provides the capacity for the rural poor to take advantage of the growth opportunities in the country.

By investing heavily in education, health, transport and communication in the rural areas, we have increased the mobility of the rural labour force and raised the capacity of youths to participate in the urban employment market and escape from the clutches of rural poverty.

We have also made much progress in restructuring the employment pattern so as to reflect more closely the racial composition of the country as envisaged in the targets set for the 1971-1990 period. In the last 20 years, the progress made by the Bumiputeras in education and employment has been encouraging although there are still some major gaps and shortfalls.

For example, the share of Bumiputera employment in manufacturing has increased substantially to 50.3 per cent by 1990 but this increase is concentrated in the lower and unskilled categories of employment.

In terms of occupations, while their share in the professional and technical jobs is high, this is mostly due to

When all is said and done, the NEP must be acknowledged as one of the greatest policies of independent Malaysia, enabling it to prosper without blatant injustices of a totally materialistic society.

respective of race, and,

- restructuring society to reduce the identification of race with economic function.

Within a span of two decades, we targeted that the incidence of poverty in Peninsular Malaysia should be reduced from 49.3 per cent to 16.7 per cent and that the ownership of share capital in the corporate sector should be restructured such that the share of Malays and other Bumiputeras would increase from 2.4 per cent to at least 30 per cent while that of other Malaysians, from 34.3 per cent to 40 per cent. The foreigners were targeted to reduce their holdings from about 63.3 per cent to 30 per cent by 1990. Apart from these, we also agreed on the target that the employment pattern at all levels should reflect the racial composition of the population.

We also resolved to undertake this socio-economic engineering exercise within the context of an expanding economy so that in the process of distributing the benefits of development, no ethnic group experiences a sense of absolute deprivation.

It is pertinent to mention here that there have been many attempts in other parts of the world at socio-economic engineering. Almost without exception they have failed and they have caused untold misery and dragged down the econ-

clining role of public sector expenditure, steps were taken to stimulate private sector expenditure and investment and to make the private sector the engine of growth for the economy. A series of measures were undertaken to liberalise and deregulate the economy and to embark on privatisation of certain Government agencies and functions so as to reduce public expenditure and transfer it to the private sector while making the investment climate more attractive to them.

The new strategy to make the private sector the engine of growth was initially affected by worldwide recession. But with the improvement in the world economy, the strategy enabled the Malaysian economy to recover strongly from 1987 onwards. In the last three years from 1988 to 1990, robust growth of higher than nine per cent was recorded. Most recent estimates put the growth rate in 1990 at 10 per cent which, we believe, is among the highest rate recorded in the world for 1990. This was achieved despite the threats and instability posed by the Gulf crisis which occurred in the last quarter of 1990.

Our greatest achievement is that we have restored fiscal and financial stability in the economy, strengthened the balance of payments and reduced the external debt burden considerably through prepayment. The

in tabling the Second Outline Perspective Plan in Parliament yesterday.

will set the pace

their high share of employment in the nursing and teaching professions. In professional occupations such as engineers, doctors and accountants, Bumiputeras are still under-represented relative to their share of the population despite the efforts made to increase the output of Bumiputera graduates from the universities and colleges.

In the case of the non-Bumiputeras, while all have benefited from the growth of employment, their share in certain sectors such as agriculture, land settlement and the Government services has remained small in relation to their percentage of the population. As regards the Indians, their former disproportionately high

Although this is still below the target of at least 30 per cent envisaged under the NEP, the rate of increase has been very high as the Bumiputeras started from a much smaller base compared to other races. However, most of this progress was due to the efforts of institutions such as Permodalan Nasional Berhad, Pernas and Tabung Haji while the equity acquired by Bumiputeras as direct investors is relatively small.

Further, there has been slow progress made by Bumiputeras to develop as a commercial and industrial community and become owners and operators of their own business. Although the Government provided substantial sup-

port of independent Malaysia, enabling it to prosper without the blatant injustices of a totally materialistic society.

We have made remarkable progress but we still have more to do. The objectives of the NEP have not been fully realised. Poverty still remains, although the magnitude of the problem has been substantially reduced. There are still wide gaps among the communities and the Bumiputeras still lag behind in a number of important fields, especially in the field of ownership and management of commercial and business enterprises and in the professions.

Within the different non-Bumiputera and the Bumi-

development of the major sectors of the economy in order that growth will be more even and mutually complementary and supportive;

- reducing, and ultimately, eliminating social and economic inequalities and imbalance to promote a fair and more equitable sharing of benefits of 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 the welfare of citizens is spread to all, while being imbued with positive moral and spiritual values and an increased sense of national consciousness and pride;

- promoting human resource development including creating a productive and disciplined work-force and developing the necessary skills to meet the challenges of an industrial society through a culture of merit and excellence without jeopardising restructuring objectives;

- making science and technology integral components of socio-economic planning and development and promoting a science and technology culture compatible with the process of building a modern industrial economy, and,

- ensuring that in the pursuit of economic development adequate attention is given to the protection of the environment and ecology so as to maintain the long-term sustainability of the country's development as well as the quality of life.

The NDP has taken into account the progress that has been made so far under the NEP and the strengths and weaknesses of our development efforts. It contains several shifts in policy to provide a new dimension to our development effort, particularly in the efforts to eradicate poverty and restructure society. The new dimension of the NDP will be to:

share of employment in certain professional groups has been declining although in absolute terms they have increased.

The Bumiputeras in Sabah and Sarawak have also not benefited as much as the Bumiputeras in Peninsular Malaysia from the growth of education, employment and income opportunities in the country. The Government is aware that the minority groups are lagging behind in certain areas and therefore their needs for more access to education and employment opportunities will be given greater attention.

It is clear that poverty can be greatly reduced and that absolute poverty can be eradicated. The notion that the poor is fated to be poor is due to ignorance, for clearly when the poor is given adequate help they can improve themselves. And when they become rich, this too is fate or *takdir*. It is the duty of a responsible Government to help the poor and eradicate poverty and Islam does not say that such help is un-Islamic.

In the effort to eradicate poverty it is important that the poor are motivated to overcome their own poverty. Those who try to convince poor people that they should not strive against their fate are in fact undermining the spirit of the poor to work towards their own salvation. Such people are in fact trying to suppress the poor and keep them poor forever.

Islam has never decreed that Governments should deliberately kill the spirit of the poor to strive to better themselves. Only those who do not understand Islam or who have other motives would actively deprive the poor of the help and opportunities to better themselves.

The restructuring strategy under the NEP designed to increase Bumiputera ownership and control, especially in the commercial and industrial sectors of the economy, has also met with much success in quantitative terms. The Bumiputera share of equity in the corporate sector has increased rapidly from 2.4 per cent in 1970 to 20.3 per cent in 1990.

port and subsidies to assist them, the incidence of business failures was rather high among them. Experience during the NEP period indicates that although equity ownership has increased, this alone has not been sufficient to create a strong Bumiputera commercial and industrial community capable of retaining their share. There must be entrepreneurial skills as well as their value system so that the quality of their participation in the economy can be significantly improved and made more permanent.

Looking at the total picture, however, there is no denying that despite the shortfalls and weaknesses, great strides have been made to achieve both growth and equity in the development and achievements, making Malaysia a unique model among developing countries. There is hardly any multi-racial country in the developing world which has been able

putera communities too, there is inequitable distribution of wealth which needs to be redressed.

We must not allow the success we have reaped to slip out of our hands because of our complacency. We must push on the policies designed to reduce further the current disparities among the races in order for the national unity to be firmly established.

The Second Outline Perspective Plan covering the period 1991-2000 has been formulated based on a new policy called the New Development Policy (NDP). This new policy will maintain the basic strategies of the NEP of eradicating poverty and restructuring society so as to correct social and economic imbalances and thereby contribute towards national unity.

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to carry out this experiment in socio-economic engineering successfully, without disrupting and reducing or even negating economic growth.

Usually if wealth is redistributed, economic growth is retarded. If, on the other hand, economic growth is given priority, then the inequities in society will be accentuated. We can be justly proud that through the NEP, we have been able to make the employment and ownership structure in this country more multi-ethnic and to reduce poverty without sacrificing economic growth.

Indeed, our economic growth actually outstripped those of other countries not undergoing restructuring. And all these are achieved in the context of democratic system with peace and stability prevailing. When all is said and done, the NEP must be acknowledged as one of the greatest policies

ment. 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 terms of social justice, moral and ethical values, political sophistication, quality of life and the administrative efficiency of the Government.

In the course of implementing the NEP we were able to identify methods which were effective and those which were not. There were also many areas of weaknesses which should be remedied. Therefore, while maintaining the basic strategies of the NEP, the NDP will aim at bringing the following critical aspects:

- striking an optimum balance between the goals of economic growth and equity;

- ensuring a balanced de-

- put greater emphasis on the anti-poverty strategy with a view to eradicating hard-core poverty, while at the same time reducing relative poverty;

- focus more on rapid development of an active Bumiputera Commercial and Industrial Community (BCIC) as an essential strategy to increase and render permanent Bumiputera participation in the economy;

- rely more on the private sector's involvement in the restructuring process, and,

- focus more on human resource development including moral and ethical values in order to achieve the objective of growth and distribution.

The new dimensions in the NDP will take into account a number of considerations. Accordingly as there has already been substantial progress under the NEP in achieving the objectives of eradicating poverty and restructuring society, there will be less need for extensive Government intervention.

Instead there will be a more selective approach which takes into account the need for quality and sustainable result. The indiscriminate distribution of wealth which is immediately frittered away does not only defeat the objectives of poverty eradication or restructuring, but they do lasting damage by creating a very dependent society which cannot manage without continuous Government support.

In the process of eliminating hard-core poverty as well as in reducing the imbalances, the stress will be on education and training before support will be given. The candidates must be ready to help themselves and face the realities of a competitive society before they receive support or opportunities.

A second major consideration in pursuing the socio-economic goals of the NDP is that it is necessary to take into account the needs of the economy to compete

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PM: Each race has

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more efficiently in the international market place and to face the new challenges that are already emerging.

For instance, all countries including the centrally planned countries are now liberalising their economies and competing strongly for foreign capital. In the face of this challenge, Malaysia must enhance its attractiveness for investors and businessmen to expand their activities in this country.

In the export market, there is a possibility of increased protectionism in the world trade. To meet all these challenges, we must establish a liberal policy framework which encourages the private sector to be more efficient and willing to take longer-term risks and to be more innovative so that we can accelerate the industrial development of the country without making monumental mistakes. Reliance on the GSP must be reduced as rapidly as possible so as to avoid the frequent threats of GSP withdrawal.

Thirdly, Malaysia's progress towards a fully devel-

likely that their children will not be interested in even managing the holdings. A solution will have to be found for this. Where land is required for the new estates the Government will favour the experienced estate management companies to open them up.

Instead of the broad-based approach as in the past, the role of the public sector in poverty eradication programmes will concentrate on those programmes which are the responsibility of the public sector such as education and training, health, rural roads, transport and communications, housing, water and electricity.

Although most areas in the country are already well served with these basic services, there is still a need to do more to provide better access to these services in the remote kampungs, villages and in some estates as well as in the States of Sabah and Sarawak.

In particular, these programmes will focus on meeting the specific needs of the poorest households to relieve them from poverty. Fortunately the number of

without the ability to manage it will only result, sooner or later, in the loss of such wealth or the Bumiputeras just becoming an instrument to be used by others to secure higher shares in the corporate sector.

While we would like to see more Bumiputera-non-Bumiputera partnerships, the "Ali Baba" type of arrangement in which Ali is not passive but risks no capital of his own must be regarded as a form of undermining the NDP. Non-Bumiputera partners must find genuine Bumiputera partners willing to risk their capital and involve themselves in the day-to-day running of the business. More than that we expect the non-Bumiputeras to actually train and expose their Bumiputera partners to real-life business experience.

The non-Bumiputeras must realise that the faster the NDP target is achieved and the Bumiputeras become real business people, the sooner will the need to favour Bumiputeras as a matter of policy be ended. Conversely, of course, if the "Ali Baba" partnership is resorted to, then the OPP2 will have to be followed by similar policies after its expiry period.

For their part the Bumiputeras too must be serious. The NDP is not a get rich quick scheme for them. It is meant to vastly improve their chances of getting a fair share of the wealth that is being generated in this country and to retain and build up on that wealth. Lending their names and becoming sleeping partners will not make them good businessmen. They must risk their capital no matter how small it may be. They must be completely involved in the running of the business. They must force themselves to learn and learn fast. They must concentrate on one or two businesses and not have meaningless involvement in dozens of companies.

It must be emphasised that we do not have all the time in the world. Bumiputeras cannot expect economic policies to always favour them. Politically split as they are, the day may not be far off when their influence in the Government will diminish and the Government will no longer be willing to defend and formulate policies to help them.

They must remember that there will always be competition in business. Such competition will not always be according to the rules. Like politics, business can be dirty. Complaining about being sabotaged all the time will not help. They must

participation in the private sector, will have to adopt new and more effective strategies to enlarge the pool of Bumiputera entrepreneurs and managers to effectively participate in companies in which Bumiputeras have substantial stakes. Agencies like the PNB should venture into new areas through developing venture capital companies and entrepreneurial development. It is no longer adequate for

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such agencies to play a passive role and to be content with mobilising Bumiputera capital to acquire equities on behalf of Bumiputeras at privileged prices.

The existing system of quotas and licences which are granted to provide special assistance for Bumiputeras to enter into business activities will also be continued. However, the system will be implemented more selectively to ensure that only those with potential, commitment and good track record will get the assistance so that they can be viable on their own over time. This may delay the achievement of quantitative targets but as we have said we are more interested in quality. The former stress in quantity had resulted in Bumiputeras owning 100 per cent of continuously losing companies. It is the Government's view that they will be better off owning 10 per cent profitable companies.

Ultimately, the Bumiputeras must learn to participate in business in an environment of competition and efficiency so that they will integrate themselves into the mainstream of the economy and to be recognised as genuine businessmen and entrepreneurs. We are glad that a few Bumiputeras have actually achieved this status under the NEP but we need more of them in order to sustain the result of the quantitative achievement of the policy.

A very noticeable feature of the Malaysian commercial scene is the poor representation of Bumiputeras in

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oped nation by the year 2020 must involve the participation of all communities. This means that in implementing the two-pronged strategies of the NDP, the policy should encourage the mobilisation of all our resources and the utilisation of the creative potentials of our multi-racial society to build a strong economy and make the country more resilient against the instabilities and uncertainties of the world economy.

We believe that each race has its own character and strength that can complement the others. The NDP, therefore, has been formulated to provide opportunities for all Malaysians to play their part more effectively in the development of the country.

The growth in the economy and the creation of income and employment opportunities in the modern sectors of the economy are expected to reduce the incidence of defined poverty from 17.1 per cent in 1990 to 7.2 per cent in the year 2000. Unemployment in the country is expected to fall to four per cent by the year 2000

hardcore poor households to receive incomes less than half of the poverty line and whose living conditions are extremely poor is not large. It is estimated that only about 143,000 households or about four per cent of the total households are hardcore poor. Specific programmes targeted for this group will enable most of them to be brought above the poverty line by the end of this century.

In addition to this, consideration will be given to relative poverty which is expected to be a bigger issue in the future. When groups 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 or frustration.

Therefore, the Government will continue to enhance income opportunities for the lower income groups of all races by improving their access to better services and amenities in both the rural and the urban areas. In particular, greater

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and with the consequent tightening of the labour market, productivity will have to be improved in order to justify wage increases. The standards of living will therefore generally improve.

In implementing the policies for poverty eradication, the NDP will take into account the need to make certain changes in the role of the public sector. Since unemployment and poverty in the rural areas were serious problems at the start of the NEP 20 years ago, the public sector had to intervene directly to open up new lands and provide large subsidies to smallholders to create jobs and support their incomes. This was necessary because the only source of income in Malaysia then was land for agriculture.

Large acreage was needed to support each Fel'da settler for example. Experience has shown that it costs more to run these land schemes than similar estates run by the private sector. In addition the children of the settlers, being better educated, are disinclined to work on the rubber or oil palm holdings. They prefer, and rightly so, to work in more lucrative urban jobs.

Unemployment is now resolved through the opening up of numerous factories, which employ more workers per acre of land. As agricultural produce like rubber

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and palm oil are still a necessary part of the economy, their production is best done by commercial estates.

Of far greater importance than subsidy to farmers is the training that should be given to the rural youths to enable them to take up skilled work which brings better pay. Subsidies and support will still be needed for padi planting and fishing, mainly to upgrade them and reduce the reliance on manual labour while increasing their productivity.

It is envisioned that within the next 10 years the Fel'da estates will face serious labour problems. The original settlers will no longer be available and it is

efforts will be made to reduce the wide regional imbalances in the country, especially the imbalances between the States of Sabah and Sarawak and the rest of the country. As poverty and economic disparities in the less developed States of the peninsula are still high, we will address these problems more urgently under the NDP. Migration to the urban areas also contributes towards poverty and the Government will give appropriate attention to the problems of urban poverty.

Turning next to the strategy of restructuring society, the NDP will continue with the efforts to increase the share of Bumiputeras in the economy both in terms of employment as well as in the ownership and control of the economy. This is necessary since current disparities in development among the ethnic groups are still large. In particular, the Bumiputeras are still far behind the other races in business, especially in the commercial and industrial activities which with the emphasis on industrialisation constitute the growth sectors of the economy.

In continuing with these efforts, the Government realises that it is essential to pay more attention to the qualitative aspects of Bumiputera participation as these have been given less emphasis in the past. A

higher quality of participation by the Bumiputeras will enable them to contribute effectively to the development process and to make them more self-reliant and less dependent on the Government for support. Additionally their capacity to retain their share will increase with qualitative improvement in Bumiputera participations.

The main emphasis is strengthening and enlarging Bumiputera participation in the modern sectors of the economy will therefore be on increasing their skills in management and entrepreneurship as these skills are the real assets of a nation. Possession of wealth

appreciate that such so-called sabotage are frequently with their collaboration. They must therefore learn to face competition. For as long as they lean on the Government to protect them, their skills will not be properly developed. There is only so much the Government can do. The rest will have to be done by them.

It is time the Bumiputeras cease to expect to do business only with the Government. They must go fully into the market to compete. The contracts and the sales must be with the public. It is not impossible to reduce their dependence on Government contracts. But they have to be efficient. They cannot expect a five per cent price advantage outside the Government. Non-Bumiputeras for their part must be prepared to give contracts to Bumiputeras even when they are not involved in Government projects.

The belief that to succeed in business one has to cheat is totally erroneous. Equally erroneous is that all non-Bumiputeras cheat. Honesty pays although it will take time. Cheating will earn you some profits first time around. But there will be no second or third time. Bumiputeras must have a longer-term outlook. A small profit that will come repeatedly is much better than a once-off killing.

The Government is aware of the threat often made by Bumiputera businessmen not to support the Government if we do not look the other way when they misbehave. But we will not be deterred in doing what we are convinced is in the long-term interest of the Bumiputera businessmen and the Bumiputeras generally.

Nevertheless, the Government will continue with its efforts to increase Bumiputera ownership and participation in the corporate sector in line with the original objective of achieving at least a 30 per cent stake. This, however, will be implemented in a flexible and liberal manner so as not to unduly affect growth. Therefore, under the OPP2, no quantitative targets and no specific time frame has been set for achieving a quantitative objective. However, at the end of the year 2000, a review will be made of the policy to support Bumiputera participation in the economy.

The development of a viable and effective Bumiputera Commercial and Industrial Community will be given higher priority under the restructuring strategy than equity ownership. Agencies such as PNB and the SEDCs, created to enhance Bumiputera partici-

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the retail business. This is due to various factors, among which the difficulty of finding suitable and affordable premises and the fact that in the urban areas non-Bumiputeras make up the biggest clientele.

While the Government hopes that all Malaysians should patronise all Malaysian retail outlets without any discrimination, there is a need to train Bumiputeras in the art of retailing. The emphasis on being 100 per cent Bumiputera enterprise should cease. It is counter-productive as the customers in the urban areas are non-Bumiputeras. Instead Bumiputera retailers in the urban areas should tailor their sales presentation so as to de-emphasise their Bumiputera character and aim for the larger market.

Another obstacle to Bumiputera involvement in the retail business in the urban areas is the unwillingness of Bumiputeras with the capital and the skill to go into retailing. Invariably those who opt for retailing are undercapitalised and unskilled in the sophistication of urban retailing. There is a notion among Bumiputeras that there is no money in retailing and one cannot get

Non-Bumiputera find genuine involvement in running of the bus

rich quick, an overwhelming obsession with many Bumiputeras.

The Government will study these problems and obstacles and will try to formulate a solution. But no solution will be effective without the Bumiputeras themselves appreciating that there is no way they can achieve the Malaysianisation of Malaysian towns and cities unless they are prepared to move into the retail business.

I would like to stress that while the strategy of restructuring society is primarily concerned with increasing the share of Bumiputeras in the economy, there is also a need to correct the imbalances relating to the under-representation of the non-Bumiputera in certain sectors such as agriculture, land settlement schemes and public sector employment. It is, therefore, proposed that more opportunities will be provided to the non-Bumiputera especially the minority groups such as the

own character

Indians and also the Bumiputera communities in Sabah and Sarawak to increase their representation and to make the employment pattern in these sectors more multi-ethnic.

Similarly, in implementing the privatisation programme, opportunities will also be given to the non-Bumiputera to participate in the privatised projects and to own shares in these projects. Thus, where possi-

s will be made to de regional imbalance, especially the in the States of Sarawak and the rest of the

ble the restructuring strategy will take into account the needs of all communities to have greater access to the opportunities created by the Government. However, it is necessary and important for the private sector to balance Government action by increasing the intake of Bumiputeras into the higher occupational levels in order to bring about a balance in the employment structure between the public and private sectors.

Like the NEP, the objectives under the NDP will be implemented within the context of high economic growth. For the 1990s under the Second Outline Perspective Plan, our aim is to maintain and capitalise on our strengths and reduce our weaknesses so that we can achieve a rapid and sustainable growth rate of seven per cent per annum in real terms. Such a rate of growth in the output of goods and services will result in the doubling of output of goods and services in real terms to about \$155 billion by the year 2000. Malaysians will be able to enjoy a higher standard of living with per capita income reaching to about \$17,000 by the year 2000.

The increase in output of goods and services will be accompanied by a major structural transformation of the economy. While the share of agriculture in GDP will continue to decline, the share of the manufacturing sector and non-Government services sector will continue to increase. The agriculture sector cannot be ex-

ity of participation Bumiputeras will enable to effectively to the ess and to make liant and less de-

these structural changes are essential to make us a fully developed nation, they can only happen if we adopt the right policies towards growth and the role of the private sector in the economy. Thus in the NDP, the management of economic policies will continue to provide the incentives for investors to increase their activities and entrepreneurs to be more willing to take risks and to be more innovative.

It is wrong to think only of reduced taxes as incentives. The strongest incentive is a healthy and liberal environment free of official harassment and red tape for local and foreign investors to expand their businesses in the country. The management of economic policy will therefore ensure that apart from maintaining fiscal and financial stability, the investment policies will continue to be implemented in a liberal manner so as to allow investors to have majority ownership and control in their projects particularly for export-oriented projects. The service given to investors must give little room for complaints.

Local investors will be given the same treatment in the implementation of the equity guidelines for export-oriented projects. However, it must be pointed out that in business, a willingness to spread opportunities will actually lessen risks. It makes good business sense to appreciate the aspirations of others.

The prospects for achieving the growth targets outlined in the OPP 2 are bright in the light of the recent performance of investments and exports and better management of the nation's resources. However, the external environment will continue to be a major factor in determining the pace of the economic growth in view of the importance of foreign trade and investment in the economy.

There are still several important international economic issues that are unresolved and which continue to create uncertainties in the prospects for growth of developing countries.

The creation of the unified market in Western Europe, the democratisation of Eastern Europe, the structural changes being undertaken in Eastern European countries along market-based principles and the end of the Gulf War provide increasing opportunities for developing countries to expand their trade. Malaysia must take advantage of the potentials of all these changes in our effort to expand and diversify our

growth industries, especially in basic metal, fabricated metal, petroleum and transport equipment industries as well as non-metallic mineral, rubber, and those wood-based industries which are less labour intensive.

The small and medium-scale industries will be further promoted and upgraded so that they will not only support the major industries but will themselves grow into industrial giants. Such growth must be well-planned and the capacity to finance and manage must be given serious consideration. The tendency to expand in every direction simply because of apparent opportunity must be avoided. It is also important that companies specialise and avoid going into certain popular business simply because everyone else appears to be doing so.

Within the agricultural sector, in view of land constraints in Peninsular Ma-

laysia and shortages of labour, more emphasis will be placed on increasing productivity in the sector rather than on opening up new land.

“ The development of a viable and effective Bumiputera Commercial and Industrial Community will be given higher priority under the restructuring strategy than equity ownership. ”

laysia and shortages of labour, more emphasis will be placed on increasing productivity in the sector rather than on opening up new land.

There will be greater commercial reorientation in the sector in terms of the choice of crops and management style as well as a reform of the inefficient smallholder operations towards a more organised and estate-type approach.

Priority will be given to the rejuvenation and conservation of forestry resources through a planned programme of reforestation and the management of logging.

In order to accelerate growth, high priority is given under the OPP 2 to the development of science and technology and human resources. Further development of the industrial and agricultural sectors will require absorption of new existing technologies and utilising them more efficiently. This will strengthen our domestic technological capa-

institutions to become more relevant to the actual needs of the private sector. The contents of the training programmes must be more sensitive to the technological and skill changes taking place in the economy.

I have highlighted for the consideration of Honourable Members of this House, the targets and the policies of the Second Outline Perspective Plan and the salient features of the New Development Policy (NDP). The NDP takes into account the needs of all Malaysians. There should be no fear or doubts in the minds of any ethnic group that they would lose. Malaysia is rich in resources and there is enough for everyone to gain from the process of development. But it must be emphasised that if the Bumiputeras gained more than others, this is because they begin with a lower base-line and more needs to be done for them to bring them up to

the level of development of the other Malaysians. Only by doing this, can we be assured of political and social stability as well as national unity, a prerequisite for progress.

We must continue with the process of reducing the glaring imbalances among the ethnic groups as long as it exists. Therefore, may I say once gain, it is better that all Malaysians work together to remove these imbalances as fast as possible. The task of reducing these imbalances should not be left to the Government alone. It is also the duty of the private sector to play a more sincere and effective role in providing productive opportunities for the Bumiputera to advance themselves. The faster we move towards redressing ethnic imbalances, the lesser will be the need to have privileges for the Bumiputera.

The NDP has been prepared following exhaustive analyses of social and economic developments in the country and after taking

“ The restructuring strategy will take into account the needs of all communities to have a greater access to the opportunities created by the Government. ”

vernment for sup-

pected to grow at rates experienced in the past because of land and labour shortage in Peninsular Malaysia and labour and infrastructural constraints in Sabah and Sarawak. Future development of the sector will require a major shift towards increased commercialisation and private sector participation, higher value-added and the development of the new crops.

The manufacturing sector is projected to grow by 10.5 per cent per annum resulting in the share of the manufacturing sector in the GDP increasing from 27 per cent in 1990 to about 37 per cent in the year 2000. The structure of exports will also undergo further changes, with manufactured exports accounting for about 80 per cent of total exports and agriculture exports declining to six per cent. All these structural changes indicate the emergence of an industrialised economy by the turn of the century.

An important sector that can contribute vastly to economic growth and reduce invisible deficits is the service sector. The efficient management of ports, airports, land, sea and air transportation, both domes-

ra partners must Bumiputera part- x their capital and s in the day-to-day iness.

tic and international, must be given serious attention. The insurance industry must be upgraded so as to be able to service international trade.

The tourist industry will have the greatest potential for growth. More than anything else, the tourist industry is a service industry. The physical facilities must be complemented by service of high standard. Prices must always be reasonable and relate to cost rather than the opportunities to exploit.

Malaysians as a people must realise that tourists can contribute to their well-being. With care we can avoid the cultural pollution that a tourist industry can bring about. It behoves upon Malaysians to make the tourists feel welcome. And certainly those who are directly involved in the industry must fully extend themselves to ensure that visitors to Malaysia will return again and again.

It is necessary to emphasise again here that while

trade.

However, these changes are not without threats against the growth of developing countries like Malaysia. Rising protectionism, lack of policy co-ordination among developed countries on monetary matters, the slow progress towards agreement at the new Uruguay rounds of GATT negotiations and, above all, the emergence of new trading blocs such as in the USA-Canada and the USA-Mexico trade regimes and the unified market of the EC pose dangers for free trade at a time when developing countries like Malaysia are seeking greater access to the markets of America and Europe.

As I have said more than once before, our experience shows that there is no such things as free trade. Trade was free when we were the markets for the rich developed countries. But when we gain access to the markets of the rich countries to sell our manufactured goods, restrictions are imposed. The very people who taught us to abide by these rules of competition are now violating these same rules for their own political and economic reasons.

While we will continue to participate actively to bring about a new international economic order, we cannot bemoan the lack of co-operation from developed countries and do nothing. We must do our best to penetrate the markets of developed countries and diversify our export markets.

Our interest in South-South trade, our initiative in the G-15 movements, our active participation in regional organisations like Asean and Apec as well as our role in championing the cause of the East Asia Economic Group (EAEG) concept and the formation of trade and investment links with developing countries in South East and East Asia represent efforts to diversify trade links and create a fairer mutually beneficial trading relationship between nations. These actions, we believe, will help increase world trade as well as counteract some of the negative effects of rising trade protectionism by certain developed countries.

The manufacturing sector will continue to spearhead the development of the economy in the next decade. With the emergence of labour shortages and the consequent tightening of the labour market, the stress will be on high technology and less labour-intensive industries. Measures must be taken to diversify and broaden our industrial base through the cooperation of new

ilities and promote industrial competitiveness.

The Government will embark on a deliberate effort to increase private and public sector investment in Research and Development (R&D) and will aim to more than double the R&D expenditure as a percentage of GNP from the current level of 0.8 per cent. R&D must be regarded as a part of the normal cost rather than as diversion of disposable profit.

An important thrust of the OPP 2 is the high priority to be given to the development of human resources. Human resource development is critical for the success of every nation because more than anything else the quality of human resources determine the extent of competitiveness, productivity, innovativeness as well as efficiency of a nation's economy.

We must create a produc-

“ The strongest incentive is a healthy and liberal environment free of official harassment and red tape for local and foreign investors to expand their businesses in the country. ”

tive and an efficient labour force which has strong ethical and moral values and a commitment to excellence. In the context of Malaysia, human resources development is not only critical for growth, but it is also critical for the attainment of equity objectives. Developments in the last two decades have amply demonstrated that education and training are powerful tools to increase the incomes of the poor by facilitating upward mobility and access to modern sector jobs, and in reducing social and economic disparities among the ethnic groups.

With the transformation of the nation from an agricultural economy to an industrial economy, there will be new demands not only technical, managerial and skilled manpower but also for a labour force that is instilled with the values and cultures of an industrialised society. Industrial skills will have to be developed at a rapid pace to provide support for further expansion of the manufacturing industries. While the Government will continue to expand and reorient the education and training system, the private sector will be called upon to share a larger burden of training the human resources of the country. This is to enable

into account the views of various groups in society, the private sector and the National Economic Consultative Council. To all those who have contributed in one form or another to the formulation of the new policy, I wish to record the Government's warm appreciation for their assistance.

Our task now is to make the NDP work. The next 10 years will be filled with challenges both in the international economy and in the domestic economy. We must be dynamic, innovative and pragmatic in our approach and above all the private sector must play a leading and proactive role.

To overcome challenges and to survive in a competitive world we must be prepared to adjust and to change. Changes in the value system and in our attitudes, are important prerequisites for progress. We must be prepared to work

hard, be disciplined and less dependent on subsidies and welfare. The history of civilisations has provided us with enough evidence about the sad fate of societies which fail to change or which change too late. Societies which fail to react quickly to changing circumstances will be left behind, stagnate and eventually fade into insignificance.

The Government will ensure that its machinery at all levels will work efficiently and closely with the private sector in the spirit of Malaysia Incorporated. Further, the Government will continue to hold dialogues with the private sector to maintain better co-operation and greater private sector involvement in the implementation of the NDP. In working towards the goals set by the OPP 2 and the NDP, Malaysians from all walks of life must strive harder to succeed. Together, all of us, by the will of Allah and His Blessings, will continue to prosper and achieve the goal of building a progressive, prosperous and a united nation. Let us all strive hard and dedicate ourselves to achieving the objectives and targets of the OPP 2 and the NDP so that we can all contribute towards making Malaysia

DP will continue to correct social and economic imbalances

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PM: Unity the main goal

will aim at a more balanced development that encompasses 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 to enable growth to be more even and mutually complementary and supportive;
- reducing, and ultimately, eliminating social and economic inequalities and imbalances to promote a fair and more equitable sharing of benefits of growth by all Malaysians;
- developing a progressive society in which the welfare of citizens is spread to all, while being imbued with positive, moral and spiritual values and an increased sense of national consciousness and pride;
- promoting human resource development including the creation of a productive and disciplined work force and the development of the necessary skills to

Dr Mahathir said: "The NDP, taking into account the progress that has been made under the NEP as well as the strengths and weaknesses, contains several shifts in policy to provide new dimensions to our development efforts, particularly in the efforts to eradicate poverty and restructure society."

The new dimensions of the NDP will:

- place greater emphasis on the anti-poverty strategy with a view to eradicating hard core poverty, while at the same time reducing relative poverty;
- focus more on rapid development of an active Bumiputera Commercial and Industrial Community (BCIC) as an essential strategy to increase and render permanent Bumiputera participation in the economy;
- rely more on the private sector's involvement in the restructuring process; and
- focus more on human resource development including moral and ethical

In his speech that was carried live over television, Dr Mahathir said: "In the process of eliminating hard-core poverty as well as in reducing the imbalances, the stress will be on education and training before giving support. The candidates must be ready to help themselves and face the realities of a competitive society before they receive support."

On the New Economic Policy (NEP) that the NDP replaces Dr Mahathir said: "We can be justly proud that through the NEP, we have been able to make the employment and ownership structure in this country more multi-ethnic and to reduce poverty without sacrificing economic growth."

"Indeed our economic growth actually outstripped those of other countries not undergoing restructuring."

"The NEP must be acknowledged as one of the greatest policies of independent Malaysia, enabling it to prosper without the blatant injustices of a totally materialistic society."

By Shaik Osman Majid

KUALA LUMPUR, Mon. — National unity remains the ultimate goal of the New Development Policy unveiled by Prime Minister Datuk Seri Dr Mahathir Mohamad in the Dewan Rakyat today.

"A united society is essential to the promotion of social and political stability as well as sustained development," the Prime Minister said in tabling the Second Outline Perspective Plan (OPP2) that embodies the policies of the NDP. The OPP2 covers the 10-year period from 1991 to 2000.

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 terms of social justice, moral and ethical values, political sophistication, quality of life and the administrative efficiency of the Government.

Dr Mahathir said the NDP would maintain the basic strategies of the NEP of eradicating poverty and restructuring society so as to correct social and economic imbalances.

At the same time the NDP

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meet the challenges of an industrial society through a culture of merit and excellence without jeopardising the objectives of restructuring society;

- making science and technology integral components of socio-economic planning and development, and promoting a science and technology culture that is compatible with the process of building a modern industrial economy; and

- ensuring that in the pursuit of economic development adequate attention is given to the protection of the environment and ecology in order to maintain the long term sustainability of the country's development as well as the quality of life.

values in order to achieve the objectives of growth and distribution.

The new dimensions will take into account a number of considerations.

"There will be less need for extensive Government intervention. Instead there will be a more selective approach that takes into account the need for quality and sustainable result," Dr Mahathir said.

The indiscriminate distribution of wealth which is immediately frittered away not only defeats the national objectives but also does lasting damage by creating a very dependent society that cannot manage without continuous Government support.