

Remarkable performance, says PM

Mr Speaker, Sir,
I stand before this House to present the following motion:

"That this House,
● **RECOGNISING** the impressive growth of the economy and the significant achievements in the attainment of our socio-economic objectives during the implementation of the Sixth Malaysia Plan;

● **ACKNOWLEDGING** and endorsing the continuous efforts of the Government in the implementation of the National Development Policy in order to achieve balanced development based on growth with equity, together with the objectives contained in the Second Outline Perspective Plan;

● **APPROVES** and endorses the Mid-Term Review of the Sixth Malaysia Plan which seeks to implement strategies and programmes and allocate funds designed to achieve the objectives and commitment of the National Development Policy as set out in Command Paper No.42 of 1993.

That in approving the Mid-Term Review, this House calls upon Malaysians from all walks of life to strive harder and with stronger determination towards building a united, socially just as well as a progressive, competitive and resilient nation in line with the nation's aspirations under Vision 2020."

About three years ago, I stood before this distinguished House to present the Sixth Malaysia Plan (Sixth Plan). The Plan which represents the first phase in the implementation of the Second Outline Perspective Plan (OPP2), contained the nation's development agenda for the period 1991-95.

The performance of the Malaysian economy during the first three years of the Plan was indeed remarkable. Despite the overall slowdown of the world economy, the Malaysian economy grew at an impressive rate of 8.1 per cent per annum, exceeding the Plan target of 7.5 per cent per annum.

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This was reflected by the high rates of domestic savings, rapid growth of exports, increasing productivity and competitiveness as well as price and exchange rate stability. While these were indeed very favourable factors to us, I did caution that we should not be too complacent as an open economy such as ours could be easily affected by uncertainties in the world economic environment.

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tries, while Land and General is an anchor company for the wood and furniture industry.

The construction sector also contributed substantially to the expansion of the economy. The sector's growth during the review period was 12.3 per cent per annum, mainly due to the buoyant property market and the acceleration in the privatisation of the infrastructure projects. The growth of this sector contributed towards the expansion of the services sector which grew at 9.2 per cent per annum and maintained its dominant position in terms of contribution to GDP growth. The strongest growth was seen in the utilities sub-sector followed by the wholesale and retail trade, hotel and restaurant, and the finance sub-sectors.

A more remarkable feature of our nation's development is that the rapid economic growth was achieved within an environment of low inflation and price stability. This success is attributable to the prudent fiscal and monetary policies as well as administrative measures taken by the Government to curb inflation.

equitable and by ensuring sufficient opportunities for all Malaysians to participate in and benefit from the mainstream of economic development and wealth of the nation.

The Government continued to place emphasis on the eradication of poverty and restructuring of society during the review period. These objectives remain important socio-economic goals under the National Development Policy (NDP), as they were under the NEP. Towards this end, the Government carried out various poverty redressal programmes focusing on increasing the productivity and income of the poor and low income groups.

These programmes had been successful in bringing about a reduction in the incidence of poverty from 17.1 per cent in 1990 to 13.5 per cent in 1993, in spite of the increase in the level of income used for defining the poverty line, i.e. from RM370 in 1990 to RM405 in 1993 for Peninsular Malaysia, RM544 to RM582 for Sabah and RM452 to RM495 for Sarawak.

The implementation of the Program Pembangunan Rakyat Termiskin (PPRT) together with non-governmental organisations, such as the Amanah Ikhtiar Malaysia has contributed much towards the reduction of hardcore poverty. Consequently, the number of hardcore poor households declined from 143,000 to 116,000, reducing its incidence from 4.0 per cent in 1990 to 3.0 per cent in 1993.

With regard to the creation of a Bumiputera Commercial and Industrial Community (BCIC), efforts were intensified towards creating a dynamic BCIC

computer ownership increased from RM20.9 billion in 1990 to RM23.7 billion in 1992, its share of total equity declined from 19.2 per cent in 1990 to 18.2 per cent in 1992. As a result of the dilution in Bumiputera holdings arising largely from the subsequent sales of their allocated shares, the net increase in overall Bumiputera equity share was smaller than what it should have been.

It has been estimated that Bumiputera divestment in listed companies during the period amounted to some RM1.8 billion at par value which has a present market value of some RM18.5 billion. Some RM800 million of assets and shares in companies were also divested by Bumiputera during 1990-92. There is also evidence of large divestment by Bumiputera in the share equity of privatised companies. Had Bumiputera held on to these shares, their equity holdings in the corporate sector would have been 19.5 per cent instead of 18.2 per cent in 1992.

PROSPECTS (1994-95)

The remarkable progress in the development of the Malaysian economy during the review period despite the slowdown in world economy and growing uncertainties in the international economic environment, is an eloquent testimony of the strength and resilience of our economic foundation. It is on this strong foundation, that we will continue to build upon to bring the nation's development to greater heights and stature.

With the momentum of strong growth having been set during the first three years of the Plan, the pros-

growth strategy which has provided the winning formula in boosting the growth of the Malaysian economy will be continued so as to provide the major strength in the acceleration of economic activities in the years ahead. This strategy will necessitate the sector to further enhance and develop its production capacity and efficiency, improve its product quality as well as strengthen its marketing efforts.

While the impressive performance of private sector investment during the first half of the Plan period has been led largely by significant inflows of FDI, this source will be somewhat affected by increased competition from other Asian and newly emerging economies. In the light of this, while the Government will continue to promote FDI in order to tap their special expertise and skills and technology, special measures will be undertaken to increase and strengthen domestic investment.

Towards this end, the Government has formulated the Domestic Investment Initiative with a view to increasing the domestic content of private investment, improve and strengthen the capital market and develop large local corporations into multi-national corporations (MNCs).

The development of small and medium scale industries will also be promoted as they play an important role not only in strengthening industrial linkages and generating exports but also as a spawning ground for future entrepreneurs. The Government is fully committed to their healthy and robust development and will devise

As Honourable Members may recall, when the Sixth Plan was launched, the prospects for accelerated growth was bright as the economic position then was already favourable and a strong foundation for a continued and sustained socio-economic development was already in place.

The challenging task then was to build upon and manage this success so as to ensure that Malaysia will continue to enjoy high rates of growth as well as continued prosperity for all Malaysians.

Today, it is with great pleasure that I table the Mid-Term Review of the Sixth Malaysia Plan for the period 1991 to 1993. As in the past, the Review assesses the extent to which we have achieved our objectives and targets, identifies and evaluates the problems and difficulties confronting our efforts as well as review the growth prospects, policies and priorities in the nation's socio-economic development.

This Mid-Term Review is also significant in that apart from assessing the achievement of the Sixth Malaysia Plan objectives and targets, it also evaluates the performance of our initial efforts towards the attainment of the nation's Vision 2020. Honourable Members must, therefore, give earnest attention to this Review in a positive and constructive manner so that we can better achieve our objectives and work towards achieving our vision of being a fully developed and industrialised nation by the year 2020.

PERFORMANCE OF THE ECONOMY (1991-93) Macro Economic Targets

We entered the Sixth Malaysia Plan period with confidence, determination and

achievement as this growth rate was the highest compared with Asean and Asian countries, with the exception of China, and far exceeds those of the developed countries. Per capita income increased from RM6,238 in 1990 to RM8,350 in 1993. In terms of purchasing power parity, it had increased from US\$5,416 to US\$7,500 during the period. This increase in income together with rather low inflation enables Malaysians to enjoy a higher standard of living and a better quality of life.

As anticipated at the outset of the Sixth Malaysia Plan, the rapid expansion of the economy was largely domestic demand driven. In formulating the Sixth Plan, the Government has relentlessly called upon the private sector to be the primary engine of growth for the economy.

I am indeed proud that the private sector has fully responded to this call as evidenced by its substantial contribution towards spearheading the nation's expansion. Private investment grew at an average rate of 13 per cent during the review period, considerably higher than the Plan target of 8.6 per cent. This remarkable performance in private investment expansion was largely on account of increases in the inflow of foreign direct investment (FDI). The growth in domestic investment, although relatively slower, was nonetheless within the Plan target.

The Government on its part, continued to consolidate its position and reduce its direct involvement in economic activities. Notwithstanding this, public investment increased at 10 per cent per annum compared with 3.0 per cent envisaged for the Plan period.

the nation.

With respect to sectoral performance, all sectors of the economy performed better than the Plan targets, with the exception of the agriculture and mining sectors. The less favourable performance of these two sectors was due to the depressed prices of the major commodities as well as production constraints and low level of investment.

The manufacturing sector continued to provide the thrust for growth and structural change during the review period. The sector grew at 12.3 per cent per annum, and consequently its share of GDP increased from 26.9 per cent in 1990 to 30.1 per cent by 1993. The main impetus for the sector's growth came from the export-oriented industries, particularly electrical machinery and appliances.

In addition, domestic industries such as fabricated metal, cement and iron and steel industries also recorded strong growth, reflecting the success in the Government's policies to strengthen and diversify further the nation's industrial base. The development of small and medium scale industries (SMIs) was also promoted through the implementation of several programmes such as market promotion, financial facilities and incentives as well as the provision of technical support and R & D.

Through the vendor development programme, Proton created 60 SMI vendors in the automobile components and parts industry with sales of RM1.1 billion by the third quarter of 1993. In addition, corporations such as Sharp and Sapura are involved in the vendor scheme in the electric, electronic and telecommunications indus-

A Special Cabinet Committee on Inflation was established to formulate policies and strategies for ensuring price stability. As a result of all these measures, average inflation rates which ranged between 4.4 and 4.7 per cent during the first two years of the review period were reduced to 3.8 per cent by 1993.

The rapid economic development has also brought about the creation of 725,000 new jobs, with employment growing at 3.5 per cent per annum. Unemployment, consequently declined from 5.1 per cent in 1990 to 3.0 per cent in 1993, implying that Malaysia's economy has reached a full employment level. This represents another remarkable achievement, particularly in the light of the double-digit unemployment rates experienced in most of the developed countries.

This high employment level, however, resulted in the emergence of labour shortages and a tight labour situation in most sectors of the economy. Prominent among these sectors were agriculture, manufacturing, construction and some service sub-sectors. As a temporary measure, the Government allowed the employment of foreign workers in these sectors. However, compared with other countries which are experiencing recessions and high unemployment rates, this problem is a phenomenon that we can cope with.

Growth and distribution

The equitable distribution of the national wealth will continue to be the primary agenda towards the creation of social justice and a caring society. The Government will strive to establish a socially just and

that actively participates in strategic sectors of the economy. Programmes such as the vendor development programme (VDP), franchise system, marketing arrangement under the umbrella concept and the venture capital scheme of Perbadanan Usahawan Nasional Berhad (PUNB), facilitated the entry of Bumiputera entrepreneurs into strategic industries and commerce.

To finance their entry, three new funds amounting to RM350 million were created in 1992 and 1993. These were the PUNB venture capital fund, the Bumiputera Industrial Fund and the Soft Loan Scheme for Food and Furniture Industries. In addition, the New Entrepreneurs Fund set up in 1989 with a start-up fund of RM250 million was increased to RM350 million in 1991.

Employment restructuring continued to show progress during the review period. Bumiputera employment increased in all major sectors of the economy, with double-digit growth rates registered in the construction, manufacturing and financial sectors. The number of Bumiputera professionals in the high-paying registered professions, such as architects, accountants and doctors, increased significantly during the period. In terms of total number of new entrants into all these professions, Bumiputera recorded a significant share of 46.5 per cent, thus, reflecting the success of the Government's policy in increasing the supply of qualified Bumiputera professionals through education and training.

With regard to corporate equity, however, while Bu-

pects are favourable for the remaining Plan period. Real GDP is expected to grow at 8.0 per cent per annum, giving an overall average growth of 8.1 per cent for the whole Plan period. Per capita income in current prices will further increase to RM9,950 or US\$8,996 in terms of purchasing power parity in 1995. As in the first half period of the Plan, expansion in domestic demand will provide the impetus for this growth, particularly in the light of the uncertainties in the international economic environment.

The prospects for a firm recovery of the world economy remain uncertain. The OECD countries are still grappling with their high unemployment problems. The EC countries continue to be in recession while the unsettled currency situation within the European Monetary System and the lacklustre response of the Japanese economy to its own fiscal stimulus package have further reinforced doubts of a firm world economic recovery.

Malaysia, as a trading nation, would like to witness better performance by these economies as their recovery will have a positive impact on the performance of our external sector. Obviously, on our own we cannot influence developments in the international environment. However, at home we must be master of our economy. We must, therefore, chart our own destiny and implement policies and strategies that can place the economy on the right track towards greater achievements.

Private investment as engine of growth

The private sector-led

appropriate measures and assistance to ensure their viable existence.

Measures towards achieving this include the development of the vendor and franchising programmes as well as programmes under the umbrella concept which will help to nurture small and medium scale industries under the guidance of large local corporations and MNCs.

Efforts will also be strengthened not only to encourage existing MNCs to continue to reinvest but also to attract greater potentials for MNCs to relocate their activities in Malaysia. However, while these efforts will be further intensified, the nation will have to be more selective in promoting FDI, particularly in the light of the tight labour market situation which we are experiencing presently. As such, our focus must be on industries that bring along with them, high and capital intensive technologies as well as those which can provide greater linkages with our local industries.

The Government will also continue in the efforts to diversify and promote new areas of growth, particularly in strengthening and diversifying the nation's industrial base. The sector's growth should reflect a broader composition of activities rather than continue to be heavily dependent on a few key sub-sectors, such as electronics, apparel and textile.

The private sector has an important role to play towards attaining this objective. They should strive to venture into the development of more capital inten-

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sive and technologically sophisticated industries as well as export-oriented, intermediate and capital goods industries. The development of these industries will not only open up new opportunities for exports but also reduce our imports of these goods.

The Government has identified the Aerospace Industry as a new strategic sub-sector that will be promoted by the Government. This includes the provision of infrastructure support such as the establishment of an aviation park in Subang and the composite manufacturing zone in Melaka. More importantly, the Government will pave the way by investing, through the NFPEs in the manufacture of light aircraft and the production of aircraft components and parts.

Projects in the pipeline are the manufacture of Eagle X-TS which is a light all-composite aircraft suitable for training, leisure flying as well as surveillance work and Dornier Seastar CD2, an amphibious aircraft which is useful both for maritime patrols, search and rescue missions as well for the tourism sector.

In addition, the MD3-160, an aerobatic trainer aircraft, will be produced for basic training of pilots in the Royal Malaysian Airforce. All these aircraft have significant potential for export. Like the automotive industry pioneered by the Government, this industry is expected to create linkages with existing engineering and services sector and propel them into the competitive regional and global market. Appropriate support in the form of skill training, fiscal incentives, R & D infrastructure and promotional exhibitions, such as the Langkawi International Maritime and Aerospace (Lima) will also make this sector attractive to potential investors.

I would, therefore, call on Malaysian entrepreneurs to redouble their efforts to identify and seize opportunities from the increasing size of world market. The opportunities that exist for profitable ventures are plenty. I would also urge and encourage Malaysian entrepreneurs to set up plants and buy into enterprises overseas for the main purpose of gaining a viable foothold in overseas markets. I am indeed confident Malaysian entrepreneurs have the capability and capacity to be successful in these ventures.

Public investment — addressing infrastructural constraints

Although the main thrust of investment must come from the private sector, the role of the public sector in national development remains important, especially in the provision of infrastructure facilities and services which are needed to support the growth of the economy. Of late, signs of constraints in the economy have clearly emerged, particularly in infrastructure support including shortages of electricity, water as well as in urban traffic congestion.

Although these are to be expected with a rapidly developing economy, the Government is concerned and has taken quick action to reduce these bottlenecks and inadequacies through giving greater focus on upgrading and expanding the supply of these infrastructure needs. These have been done through reprioritising of public sector expenditure as well as privatisation of programmes and projects involving water supply, road, sewerage, power and telecommunications.

Recognising the prime importance of these facilities in the acceleration of economic activities, public sector investment in the provision of these essential infrastructure facilities will be further enhanced.

Privatisation efforts have been criticised by some as having only benefitted a few corporate individuals. This is far from being the truth. In fact, privatisation has benefitted all Malaysians from employees and entrepreneurs to investors, large and small. Privatisation has provided opportunities for trust agencies, such as PNB, LTAT and LUTH to distribute corporate wealth to individual investors.

Under the ASB and ASN alone, a total of 4.8 million individual investors have gained from the privatisation programmes. If the Government seems to favour big companies, it is because we believe that the privatised corporations need very substantial shareholders responsible for the direction and sound management of the companies.

In developed countries where the management of big corporations have been entrusted solely to paid professionals, the concentration on immediate profitability on the part of these professionals has resulted in reduced investments in the companies' future. As a result, over the long-term these companies have failed. Responsible substantial shareholders normally have a greater stake in the future performance of the company. The small shareholders should feel safer when there are capable and substantial shareholding companies looking after their interests. It is for this reason that the Government allocates substantial shares to companies with good track records or good potentials.

Since its implementation, private sector investment in privatised projects has provided further impetus to the growth of the economy. Apart from promoting private sector participation in the economy, the privatisation of 85 projects thus far, has also contributed to the right-sizing of the public sector.

Aerospace identified

equivocal terms, that social benefits and public interests will not be set aside for quick corporate profits.

Strengthening balance of payments

The rapid expansion of the Malaysian economy has been accompanied by significant improvements in the balance of payments, from a deficit to a surplus in the current account. The improvements have been brought about by the strengthening of the merchandise surplus. Notwithstanding this, the nation's services account continued to be in deficit and therefore, will have to be given our serious attention.

Towards this end, several recommendations have been made by the Cabinet Committee on Services. We must do much more with respect to increasing receipts from tourism, foreign exchange savings from expansion of education in the country as well as reducing the deficit in freight and insurance through developing a mechanism to insure large and specialised risk and enhance underwriting skills. Large foreign insurance companies involved in freight and shipping insurance are welcomed to operate out of Malaysia.

With respect to education, there is a need to develop education as a significant component of the services industry and eventually internationalise education and develop it as a service export. The Government will, therefore, take steps to facilitate the establishment of private higher education degree granting institutions, including the setting up of branch campuses of established foreign institutions. The Government is also reviewing the Universities

conspicuous consumption. Such habits will also have to be cultivated and nurtured among the young who will become the savers of tomorrow. We must not fall into the trap, as some countries have, of becoming a consumption-oriented society when income levels increased.

The Government on its part will try to control inflation, so as to keep the value of the Malaysian currency. Depreciation in the purchasing power of the Malaysian Ringgit will certainly not encourage savings.

The role of the capital market in increasing savings and meeting the large funding requirements of investments has become increasingly important. Recognising the importance of the capital market as a source of fund mobilisation, the Government has taken many initiatives to enhance its development.

The establishment of the Securities Commission early this year was aimed at orderly development and growth of the capital market, safeguard the interests of the investing public and maintain market integrity and efficiency. Efforts were also made to further develop the KLSE into a sophisticated international bourse. Results have indeed been gratifying as can be seen from the rapid rate of market capitalisation of the KLSE, making it the largest bourse in the Asean region and one of the 10 largest in the world.

The futures markets will also be further developed with the anticipated oncoming operations of the Kuala Lumpur options and Financial Future Exchange (KLOFFE) and the Kuala Lumpur Futures Market (KLFM). An increasingly important development which has received widespread acceptance is the development of a wide range of Islamic financial instru-

to expand growth, discourage linking the CPI to wages, tolls and tariffs and improve the information on prices through the operation of the Price Information Centre. Price-tagging will be strictly enforced and consumer campaigns launched to educate the public on prices and inflation.

Human resources development

The rapid expansion of the economy has brought along with it a tight labour market situation. The shortage of labour that we are experiencing is, however, a consequence of the success of our development efforts — again, a characteristic which is associated with a rapidly developing economy. It is a stage which most developed economies had experienced in their development process.

While the immediate solution is to use foreign labour on a selective basis, this cannot be regarded as a solution to the situation. The number of foreign labour in Malaysia is estimated to be about one million. Compared with a small population of 19 million and a Malaysian labour force of eight million, the size of foreign labour is large. The presence of foreign labour is also placing an increasing strain on our social infrastructure, particularly housing, medical and education facilities. In addition, there has been a distinct increase in unwanted social problems.

A permanent solution to the tight labour market situation will be the encouragement of more capital intensive technology. Experiences in the last two decades have clearly indicated that the economic miracles of countries do not depend on their comparative advantage in natural resource endowment. Rapidly growing economies have been driven by their

funding for S & T and R & D, the private sector must complement the Government's efforts and play a more effective role to ensure the establishment of a scientific and technologically advanced industrial society as envisaged in Vision 2020.

Greater efforts will also have to be made to expand the supply of scientific and technological manpower to meet the needs of research and development activities.

Poverty redressal and restructuring society

The Government will continue to manage the current strong growth momentum already emplaced to achieve a more balanced development of the economy in line with the objective of the NDP. As such, the basic philosophy of "growth with equity" which underlines the thrust of the Sixth Plan will continue to be emphasised. This is of paramount importance in ensuring that all Malaysians will be able to participate in the mainstream of economic activities, contributing towards reducing income imbalances among the ethnic groups and thereby, strengthening national unity.

Together with the political stability already established and a strong and firm leadership at all levels already emplaced, it will provide a strong foundation for the nation to achieve the objective of a fully developed nation by the year 2020.

Consequently, in the remaining years of the Plan, the Government will continue to focus on the effective implementation of distributional programmes to further reduce poverty, improve income distribution as well as promote a more meaningful participation of bumiputras in the economy.

At this juncture, I would like to call on the private sector to provide more sup-

Reverse investment — towards greater internationalisation

An important development which the Government will be giving greater focus is with respect to reverse investment. The Government strongly believes that reverse investment will provide added opportunities for the growing dynamism of our private sector in meeting the challenges of a more competitive global environment and to take advantage of new technologies, changing markets as well as the rapid movement in international capital.

Reverse investments will also enable our private entrepreneurs to make inroads and to diversify into international markets and even perhaps utilising their competitive advantage in some industries by relocating their production activities overseas, thus further internationalising their production operations. To ensure the proper promotion of reverse investment as well as to maximise the benefits to the nation therefrom, the Government will issue guidelines for the promotion of reverse investment.

Potential areas where Malaysian entrepreneurs could make inroads overseas are those in the engineering and construction-related activities, particularly highways, roads and manufacturing plants, ports and airports; as well as in the manufacture of products such as transport and telecommunications equipment. In this respect, Malaysian entrepreneurs should strive to create new niches for Malaysian products and services with Malaysian brand names such as in industrial and household consumer goods, particularly electrical appliances.

With this, public investment is projected to grow faster in the second half of the Plan period at 12.8 per cent per annum.

Privatisation — a unique experience

As part of the strategy to further promote the dynamism of the private sector, the Government has vigorously implemented various privatisation programmes. We can be proud of our achievements in the privatisation efforts as Malaysia is one of the few nations in the world where privatisation has been successfully implemented to cover a wide range of activities — from infrastructure and utility projects to roads, ports as well as urban transportation.

Privatisation *ala* Malaysia has also included corporatisation of Government departments and agencies as well as the management buy-out of Government companies. The privatisation approach adopted, such as for new infrastructure and utility projects, is itself unique to the Malaysian experience. All these developments have not only enriched the approach towards privatisation but also widened the spectrum of private sector participation in project implementation.

Malaysia has been praised by the World Bank, IMF, ADB and other international organisations on the way we have successfully undertaken privatisation that has benefitted all segments of society.

Privatisation has also enhanced the competitiveness and efficiency of various services, reduced Government's involvement in economic activities as well as expedited the attainment of the nation's distributional goals.

The Government's pri-

So far, some 86,100 employees of the public sector have been transferred to the private sector. In addition, privatisation has enabled the public sector to save some RM4.8 billion in operating expenditure and another RM37.7 billion in capital expenditure. Proceeds from the sales of Government equity and assets to the private sector amounted to another RM8.6 billion. There is no doubt that the privatisation exercise has helped in balancing the Government's budget.

Privatisation has also been an important cornerstone of our national development as it has brought about specifically, greater efficiency and productivity gains through increased competition and innovations in the provision of several new services. Its impact on the local capital market has been equally impressive. To date, some 15 privatised companies have been listed on the KLSE which accounted for a quarter of the total market capitalisation as at November, 1993.

While the efforts at privatisation have indeed been successful, the Government is fully aware of the need to protect and safeguard public interests, particularly in natural monopolies, so as to ensure that the low income group will be provided access to essential services and to guarantee that quality services are provided at reasonable cost.

Towards this end, regulatory authorities will continue to regulate price and tariff, and to enforce standards and quality of services. Other conditions have been included in the privatisation agreements in order to safeguard public interests. The Government gives its assurance in un-

and University College Act, 1971 (Amendment), 1975, with a view to developing appropriate regulations, procedures and guidelines for the establishment of private higher education institutions.

Resource balance — high saving society

Given the rapid increase in private investment as well as the faster growth of public investment, it is indeed gratifying to see that the financing of these investments is not expected to place any constraint or crowding out effect on financial resources. The overall resource balance for the remaining period of the Plan is expected to remain positive due largely to the high level of savings to GNP of some 36 per cent.

Together with an improved balance of payments position, resulting from a strong growth in exports of 9.3 per cent per annum, the savings-investment balance will be positive. This means that Malaysia is able to finance its domestic investments without relying on foreign capital borrowings.

The improvement in overall savings has largely been attributed by a robust growth of private savings. Our savings rate is one of the highest in the world today. This indicates that Malaysians are high savers — a trait that we should be proud of. This trend must be maintained as it will continue to provide resources for the nation to venture into productive activities without having to rely on external borrowings.

While the Government will continue to introduce innovative and attractive savings facilities, Malaysians on their part, will have to further harness their saving propensity and restrain from expending on

ments and a viable secondary market for financial papers based on Islamic principles.

Curbing inflation

It is well worth remembering that while rapid economic expansion bring successes on many fronts, it also brings with it disturbing inflationary tendencies. Increasing consumption and higher demands for goods and services will follow from increased affluence. Wage demand unrelated to productivity increases will further exacerbate inflationary forces.

We must never allow ourselves to be trapped in a wage-price spiral. Wage increases that are not matched by productivity and efficiency increases will be accompanied by high inflation rates which will ultimately nullify and render meaningless our improved earnings. Hence, Malaysians must develop a culture of striving for higher productivity and exercise greater prudence and wisdom in their consumption spending which is compatible with sustained economic gains and real prosperity in the long term.

The Government, on its part, will ensure that the rapid expansion in the economy will not place undue pressures on prices. Therefore, the Government is committed to achieve rapid growth with low inflation. For those in the lower income group, the ultimate long term objective should be to realise a zero rate of price increases for goods and services in their consumption basket.

However, in the light of the possible recovery in industrialised countries which may place pressure on prices of the nation's imports, the Government will monitor closely price movements and implement additional measures decided by the Special Cabinet Committee on Inflation.

These include measures

ability to adopt and adapt new technologies, their hardwork and indigenous talents, skills, creativity and self-reliance.

As such, Malaysian industries must expedite their adoption and adaptation of new technology and more sophisticated labour-saving processes through greater utilisation of automation, robotisation and computerisation. These processes, however, require the development of human resources, the acquisition of higher skills and the creation of a knowledge-based workforce.

Improvements must also be made in the work environment in order to develop suitable and productive work ethics and to strengthen commitment and discipline among the workforce.

In addition, greater participation of women in the labour force will be encouraged to increase the supply of labour. All these must be incorporated into our national agenda for development.

Investments in human resource development must be committed now as such development requires long gestation period. Training facilities in both the public and private sectors, particularly those of large corporations and MNCs, must be utilised optimally through greater sharing of facilities and instructors.

Science and Technology

Another important aspect is the development and widespread application of science and technology to provide Malaysia with a more competitive, sustainable, diversified and global-based economy. Towards this end, Malaysians must be technologically proficient, fully able to adapt and innovate and to be constantly in pursuit of higher levels of technology.

While the Government will continue to provide the basic infrastructure and conducive environment and

port and complement the Government efforts towards the achievement of these objectives.

Income distribution will be improved through increasing the accessibility of the lower income group to better employment opportunities. This will be undertaken by improving their skills through education and training as well as measures to increase their productivity.

In terms of poverty, while the incidence of poverty has been considerably reduced, the Government will redouble efforts at improving the economic position of the poor, especially those of the hardcore poor. This is in order to prevent a sense of deprivation and frustration from developing among the poorer section of the population.

In a nation that has experienced rapid economic expansion, it is unacceptable that there should be poor and deprived people among the rich and the more fortunate. Malaysians, irrespective of race and location, must be moved out of the pit and travesty of absolute poverty. Therefore, it is our target that the incidence of poverty should be further reduced to 8.8 per cent and that of hardcore poor to 2.2 per cent by the end of the Plan period.

The need to improve the quality of life of the poor in both the rural and urban areas will, therefore, receive the special attention of the Government. Programmes to modernise and diversify the economic activities of the poor will focus on areas and locations where high poverty rates prevail.

Program Pembangunan Rakyat Termiskin (PPRT), which is tailored to meet the specific needs of the poorest, such as food and nutritional requirements for the undernourished and the provision of decent shelter, will further reduce the incidence of hardcore poverty.

as strategic sector

In addition, the Government has also launched the Amanah Saham Bumiputra (ASB)-PPRT scheme to enable the hardcore poor to purchase shares in the scheme, thus supplementing their income. In this regard, the initial loan fund has been increased from RM500 million to RM700 million.

This amount had been fully disbursed to about 140,000 of the hardcore poor.

Apart from these programmes by the Government, it is heartening to see efforts by non-governmental organisations as well as the private sector in contributing towards reducing the incidence of poverty. Indeed, we are a nation of caring individuals, enriched by our traditional and religious heritage. On this, our tribute to Amanah Ikhtiar Malaysia and the Yayasan Basmi Kemiskinan for their efforts at improving the income and developing self-reliance among the poor through the provision of small business loans, training opportunities, housing and educational support.

The objective of increasing bumiputra corporate participation will also be continued. However, they on their part must strive to ensure that benefits acquired must be retained for long-term gains. This is particularly important, in the light of the large and premature divestment in bumiputra equity holdings experienced during the review period.

Bumiputras must strive to sustain, expand and manage their wealth which they have acquired and not divest for the sake of realising quick capital gains in the short term. Gains realised from divestment must be reinvested in higher yielding investment opportunities. Indeed, the grow-

cent because of divestment by bumiputra interests.

Unless and until bumiputras cultivate the habit of retaining their wealth or re-investing their earnings from the ownership of their wealth, the objective of at least 30 per cent stake in the corporate sector will never be achieved.

Creating a resilient and viable BCIC will be the main emphasis in the Government's effort to expand bumiputra participation in the more productive sectors of the economy as it will provide a foundation for a pool of bumiputra entrepreneurs who will be able to manage, control and expand the creation of new wealth among the bumiputra community.

As such, the creation of BCIC will also see an expanded programme to provide opportunities for more bumiputra entrepreneurs to participate effectively in commercial and industrial activities.

The participation of large corporations as anchor companies in the vendor development programmes will be further promoted and expanded. A Special Consultative Forum on BCIC as recommended by the Third Bumiputra Economic Congress will be established to overcome major implementation bottlenecks and adopt new approaches. The Government will also introduce new mechanisms to spearhead more genuine joint ventures between bumiputra and non-bumiputra entrepreneurs.

On their part, bumiputra entrepreneurs must realise that success does not come easy, neither do they come on a silver platter. They must, therefore, strive to improve their skills, know-how and expertise and be prepared to undergo vigorous training and be disciplined in their ventures.

development allocation. The allocation for the economic sector amounted to RM31.6 billion or 54 per cent of the total, largely for transport, agriculture and commerce and industry.

Agriculture

In planning for the nation's development, the agriculture sector will continue to be given emphasis. For the Sixth Plan period, substantial allocation has been provided for the various sub-sectors of agriculture. About half of the allocation provided is for increasing productivity and commercialisation of small-holders through *in-situ* development, involving 13 Integrated Agricultural Development Projects (IADPs), land consolidation and rehabilitation, replanting as well as drainage and irrigation.

In view of the importance of forestry development to conserve the environment, the forestry development programme has been allocated RM163 million for forest rehabilitation and management programmes.

Meanwhile, the fisheries sub-sector has been allocated RM187 million, partly to be utilised for upgrading of three fish landing complexes in Batu Maung, Chendering and Kuantan. In addition, a sum of RM144 million has been provided to increase production of the livestock sub-sector, while for agriculture support services programmes an allocation for the agriculture sector has been provided. These programmes include input subsidies for padi, agricultural credit, research and development (R&D), processing and marketing as well as extension services.

Infrastructure

The allocation for infrastructure and public utilities has been increased from RM15.2 billion to RM17.2 billion, increasing

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ticularly electricity, the rapid increase in demand which was not anticipated has resulted in capacity constraints. Several immediate measures were implemented to overcome this capacity constraint including the construction of new generating units on a fast track basis as well as measures to manage electricity demand more efficiently.

For the long term, the Government will institute measures to ensure uninterrupted and more reliable supply. Recognising that the investment required to expand capacity is large, the Government has encouraged the private sector to participate in the energy sector. As such, of the additional 4,000 megawatts anticipated to be commissioned before the end of the Plan period, 54 per cent will be implemented by the private sector through Independent Power Producers (IPP).

Apart from increasing generating capacity, transmission and distribution facilities, will also be strengthened. The main project that has begun implementation is the 500 kilovolt Electricity Transmission Project in Peninsular Malaysia. To ensure efficient management of day-to-day technical operation of electricity generation and distribution of electric power, the Grid Code will be introduced in stages, beginning in 1994 in Peninsular Malaysia.

With respect to water supply, a total of 60 dams with a capacity of 25 billion cubic metres are already in operation. The problem of water shortage as experienced in Malacca, has been successfully overcome through interstate water transfer from Sungai Muar, while the design to the Gemmench dam in Negri Sembilan has already been completed.

industries, such as the aerospace project and the steel industry. At the same time, to encourage bumiputras in commerce and industry, allocation has also been set aside for training, especially in entrepreneurial development, managerial and skills development as well as for financial and technical support and services.

Tourism

The development allocation for the tourism sector amounting to RM719 million represents an increase of 34.7 per cent over the original allocation. This additional allocation has been provided to increase and widen the services and infrastructure for the tourism sector such as the construction of low- and medium-cost hotels, diversification of tourism products as well as provide and improve tourism infrastructure. This will ensure the success of Visit Malaysia Year 1994 and the achievement of tourist arrivals target of eight million by the end of 1995.

Education and Training

The thrust of education and training programmes is to increase accessibility through the provision of additional facilities; enhance quality through the improvement of the curriculum and teaching materials; as well as strengthen the delivery system through enhancement of knowledge and skills of teaching staff. For the remaining Plan period, these programmes will be expanded and improved. Towards this end, the construction of additional facilities at various levels will be implemented.

At the primary and secondary levels, 12,000 new classrooms will be built to provide places for an additional 480,000 students. These classrooms will assist in reducing overcrowding in urban schools as well as replacing dilapidated classrooms in the rural areas.

In line with efforts to increase science and technological manpower, eight new technical schools will

by Vision 2020 will create a demand for additional manpower with higher educational level. Enrolment at the tertiary level should reach 20 per cent of the 19-24 year age group by 2020, compared with only 7.3 per cent in 1990.

The private sector will play a larger role in the provision of higher education. Training institutions currently under public sector firms such as Petronas, TNB and Telekom Malaysia, will also be upgraded into institutes of higher education and equipped with better qualified trainers.

Health

The revised Plan allocation for the health sector is RM2.5 billion or 4.3 per cent of total allocation. This allocation will be expended to finance programmes and projects towards the attainment of *Health for All* by the year 2000.

Promotive and preventive health services play an important role in ensuring that there will be healthy Malaysians able to work productively, and actively participate in the nation's economic development. Towards this end, individuals will be encouraged to practise a healthy lifestyle.

The environmental sanitation programme will be expanded to provide sanitation for an additional 130,000 households and safe water supply for about 35,000 more households in rural areas which have a high prevalence of communicable diseases. This will further improve the coverage of sanitation to about 92 per cent and the supply of safe water to 79 per cent of the rural population by 1995.

With respect to health infrastructure, measures to ease congestion at hospitals in state capitals include the provision of general outpatient clinics with adequate diagnostic facilities as well as the provision of basic specialist facilities in hospitals at the district level.

A total of 13 new polyclinics will be completed and

aspects will be equally emphasised as religion provides Malaysians with the right frame of mind as well as the anchor for preventing man from deteriorating morally. Hence, the Government will continue to pursue the inculcation of Islamic values and high ethical codes in all aspects of administration and management. In addition, to ensure the correct interpretation of Islamic teachings, think tanks such as the Institute of Islamic Understanding Malaysia will be given a greater role to play.

An important ingredient which will contribute to the attainment of higher growth is the value that is accorded to work. Work ethics which are associated with hard work, self-discipline, honesty and integrity will complement capital investment, skills and expertise in the process of wealth creation.

These, together with the high ethical values that have traditionally characterised the value culture of the Malaysian society such as tolerance, hospitality, caring and a strong religious and moral foundation, will provide the basis for the sharing of common values in the Malaysian society.

To ensure the adoption of these positive values and attitudes among our younger generation who will be the leaders of tomorrow, the role of the family unit and the school system in moulding and nurturing the attitudes of the young will also be emphasised.

CONCLUSION

Over the last few decades, our development efforts have focused on building a strong and firm foundation for the attainment of rapid and sustained economic growth. That foundation has now been successfully put in place. We can therefore, look to the future with greater optimism and confidence towards attaining our long-term objective of becoming a fully developed and industrialised na-

ing availability of resources transferred to them present an excellent opportunity for them to plough back into productive and constructive activities.

They must take full advantage of this opportunity to accelerate their creation of new wealth. The share market should not be for the disposal of their wealth, but for consolidating it. And this they can do through hanging on to their shares. The Government will try to make available investment advisers so as to help bumiputras maximise their holdings.

With the continued strong growth of the economy, there will be enormous opportunities for bumiputras to increase their corporate wealth. The Government, on its part, will strive to ensure that bumiputra trust agencies such as PNB will intensify their efforts to mobilise bumiputra savings to acquire a bigger share of corporate equity.

In view of the large divestment, the Government is also considering the possibility of setting up the Amanah Pelaburan Bumiputra (APB) to provide another effective avenue to retain bumiputra corporate holding. Under this scheme, the 30 per cent allocation reserved for bumiputras under the public issue by companies seeking listing on the KLSE will be channelled to bumiputras through the APB.

Bumiputras must realise that the Government on its part has strictly adhered to the policy of providing at least 30 per cent equity to bumiputras within the corporate sector. In many cases especially for privatised companies, the Government has given majority or 100 per cent ownership to bumiputras. In fact, if all the bumiputra equity at the time of privatisation is taken into account, bumiputra ownership of privatised entities (excluding Government holdings) amount to 69 per cent of total equity. However, by 1993 their share declined to 38 per

They must also aspire to achieve the highest standards in terms of their skills, managerial competence and their search for excellence. These must be acquired before they can fully exploit and benefit from the opportunities created for them.

The quality of bumiputra achievements will also be given emphasis apart from the quantitative aspects of their participation. This will ensure that bumiputras can participate more effectively and permanently in the business, commercial and industrial activities.

In this respect, apart from increasing their equity participation, bumiputras and bumiputra agencies will be encouraged to participate directly in corporate restructuring activities or to invest directly in new ventures together with non-bumiputra investors and entrepreneurs. This will enable bumiputras to be active in the management and control of enterprises.

Public Sector Programme

The Sixth Malaysia Plan has provided for a development allocation of RM55 billion for the Federal Government. During the review period, some 53 per cent of this Plan allocation or RM29.2 billion has been expended. Under the Mid-Term Review, the Federal development expenditure for the Sixth Plan will be increased from RM55 billion to RM58.5 billion. The increase is largely to meet additional funding requirements resulting largely from changes in scope and cost escalation of existing projects as well as those for new projects.

Overall, the revised public sector programme is generally aimed at programmes and projects to support the expansion of the economy as well as to meet the distributional objectives of the NDP. As such, the allocation for the economic and social sectors continue to represent a major portion of the overall

its share in total allocation to 29.3 per cent. A large portion of the increase was to expand capacity to overcome bottlenecks in infrastructure as well as improve efficiency.

Of the allocation, 78.3 per cent will be for the transport sector, largely for improvements in urban transportation to ease traffic congestion in major urban centres as well as increase accessibility to ports and airports. An additional RM411 million has been set aside for widening of existing roads and construction of interchanges and ring roads for the urban centres.

Increased allocation has also been provided to improve the capacity and services of Keretapi Tanah Melayu Berhad (KTMB), especially for double tracking and installation of signalling systems and modern communications. This will enable KTMB to meet its increasingly important role in freight and passenger transportation. In addition, a sum of RM75 million is allocated for the development of rail links to the port at Pulau Indah, Klang Port and the North Butterworth Container Terminal. Among the new projects approved include the KL International Airport (KLIA), Sepang as well as related infrastructural projects to meet the requirements of the Commonwealth Games 1998.

To overcome the problem of infrastructural constraints, the implementation of several projects will be privatised, such as the construction of ports, public transport systems and telecommunications.

In addition, in order to reduce traffic congestion in Kuala Lumpur, the implementation of the first light rail transit (LRT) covering a distance of 12 kilometres, will commence. The Government is also considering the implementation of System II LRT covering another 30 kilometres.

Utilities

In the energy sector, par-

In order to ensure adequate water supply, programmes were implemented with emphasis on developing storage and treatment plants, upgrading and expanding the distribution system and improving water quality. In the implementation of these projects, several were privatised on a Build-Operate-Transfer (BOT) basis. Steps are also under way to corporatise state water authorities.

As a long-term measure to provide more efficient, reliable and environmentally safe sewerage system, the National Sewerage Project has been privatised. This project, which includes the upgrading and refurbishing of existing sewerage systems as well as construction of new ones will cover 143 local authorities with a cost of RM6.2 billion. A regulatory department will be established to regulate service levels and ensure reasonable and equitable tariff rates.

Industrial Development

In line with the private-sector-led development strategy, an allocation of RM1.8 billion has been made to improve the infrastructure and development of SMIs, consultancy and training, heavy industry investment and the implementation of the Action Plan on Industrial Technology Development.

The allocation for the development of industrial estates and related infrastructure amounts to RM647 million, with emphasis on the development of special industrial estates, especially for SMIs and high-technology industries. In addition, emphasis was also placed on the development of industrial estates in less developed states and regions.

Recognising the need for the Government to provide the impetus to the private sector in the development of heavy and strategic industries, a sum of RM595 million has been allocated for the Government's equity participation in several

be built while the facilities of the existing nine technical schools and 38 secondary vocational schools will be upgraded. This is to enable a greater number of students to pursue electives in scientific, vocational and engineering subjects.

To increase the participation of handicapped children as well as those with learning disabilities, 11 new special schools will be built for about 1,320 children with hearing and visual impairments.

The teacher training programme will be expanded to produce sufficient number of teachers to meet increases in student enrolment as well as reduce class size in urban areas. To meet these objectives, the 30 teacher training colleges will continue to train teachers at the primary level as well as expand the diploma in education courses for graduates.

The capacity at the technical teachers training colleges will be expanded to meet the demand for such teachers. Six new teacher training colleges will also be built to reduce overcrowding in existing colleges.

Accessibility to tertiary education will be increased with the expansion of existing institutions and the establishment of new facilities. These include the completion of Phase I of the UIA in Gombak and the branch campus of the ITM in Machang.

In addition, four new polytechnics in Dungun, Johor Baru, Penang and Shah Alam and the branch campus of ITM in Merbuk are under construction. Master plans will also be prepared for the ITM branch campus in Penang, the medical complex of the UIA in Kuantan and the permanent campus of Unimas in Samarahan. These institutions when completed, will add a total of 47,000 additional places at the tertiary level.

The Government will formulate a long-term plan for higher education. Economic development as envisaged

three others will be constructed. In the review period, five new hospitals have been completed, while new hospitals in Cameron Highlands, Labuan, Port Dickson and Sri Manjung are under construction.

Housing

The allocation for housing programmes has also been increased. Apart from low-cost houses, the programmes also provide additional quarters and accommodation for public sector employees. The allocation for these programmes has been increased to RM1.8 billion.

The Government will continue to provide support and facilitate the development of the housing industry. Included in the measures to be undertaken are the speeding up of approvals for sub-division, land conversion and release of land titles within 44 weeks. The Government will also provide guidelines for facilitating the preparation of the development plans as well as the introduction of standard plans for low-cost housing.

Values and Attitudes

The nation has indeed achieved remarkable development by any standard. The continued pursuit of our successful development strategies, particularly in meeting the challenges of Vision 2020 will require Malaysians to adopt positive and progressive values and attitudes.

The attainment of tangible progress and high material well-being alone is no guarantee for long-term stability and prosperity. This development must be balanced with intellectual and cultural enhancement. Towards this end, the Government will intensify its efforts to develop a knowledge- and morality-based culture, encourage creativity and inculcate an appreciation for the arts and culture among Malaysians.

In our efforts to achieve a fully developed nation status as envisaged in Vision 2020, religious and spiritual

tion by the year 2020.

However, I must caution Malaysians from all walks of life that while we can take pride in our achievements, we certainly cannot be complacent with the success we have achieved thus far. We must guard against laxity which will lead to complacency.

Indeed, we must continue to build on our achievements and manage our success well so as to enable us to bring our nation to greater heights and excellence in the years ahead. We should strive towards greater performance and the achievement of economic primacy that can earn Malaysia recognition and a respectable place in the international community of nations. To achieve this, Malaysians must be in full possession of an economy that is competitive, dynamic, robust and resilient.

Malaysians must be able to make adjustments to keep in tandem with the ever-changing environment both from within and without. To respond positively to these adjustments, Malaysians must continuously increase productivity and competitiveness and be driven by the pursuit of excellence.

The Government on its part, will continue with its commitment to provide the support for an expanding economy as well as fulfil its socio-economic obligations. The private sector, on the other hand, will have to be innovative and harness its dynamism to generate growth as well as contribute towards the socio-economic goals of the nation in the spirit of Malaysia Incorporated.

Above all, the success of our development efforts will have to rely on the participation of all Malaysians and their motivation and commitment towards making the nation's development agenda a triumphant success.

By the will of Allah, Malaysia will continue to prosper and progress.

Mr Speaker, Sir, I beg to move.