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News Focus

HIGH GROWTH KEY TO STRONG SINGAPORE-MALAYSIA TIES

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SINGAPORE, Aug 28 (Bernama) -- Has the high growth enjoyed by both Singapore and Malaysia over the last decade turned these two vibrant economies into partners or competitors?

Singapore, the only member in Asean which has attained newly industrialised economy (NIE) status, has set itself the goal of a Swiss standard of living by the year 1999 while Malaysia aims to be a developed nation by 2020.

Both nations boast of an average eight percent growth over the last five years. Their driving force is competitiveness.

Malaysia is among six star performers in the Asia Pacific region which recorded higher real growth and lower inflation in 1995, according to the latest Pacific Economic Outlook (PEO) released by the Pacific Economic Cooperation Council (PECC), a Singapore-based non-governmental organisation devoted to promoting economic cooperation in the Pacific Rim.

According to the report, Malaysia's Gross Domestic Product (GDP) looks very favourable but it is expected to slow down to 8.9 percent in 1996 from a high of 9.6 percent in 1995 and steadily down to 8.6 percent in 1997.

Both Malaysia and Singapore have been ranked among the top 10 economies in the World Economic Forum (WEF)'s competitiveness index for East Asia, together with Hong Kong and Taiwan.

The WEF global competitiveness report 1996 ranked Malaysia 10th out of 49 economies surveyed, with the most competitive economy being Singapore followed by Hong Kong and New Zealand. Singapore, China and Malaysia were three East Asian countries which absorbed more foreign direct investment as a share of GDP than any other country in the world.

As part of efforts to sharpen the competitiveness of its economy, Malaysia adopted a deliberate policy of progressive liberalisation as a major component of its economic strategy.

Among the policy measures to create a liberal investment environment in the manufacturing sector, the government allows fully foreign-owned shareholding in export-oriented manufacturing firms and those exporting 50 percent or more of their products, subject to meeting certain requirements.

It also relaxed its policy on employment of expatriates in managerial and technical positions.

In the services sector, further liberalisation was introduced to allow increased foreign equity participation in insurance companies and fund management companies.

In recent years, Singapore has also directed its efforts towards enhancing the competitiveness of its services industries. For the telecommunications industry, in particular, it announced plans to accelerate liberalisation that would allow foreign participation in certain value-added services.

Senior Minister Lee Kuan Yew said the stronger competition in the region for foreign investments has also provided Singapore opportunities to invest in the region's fast growing economies.

The success of the NIE's in Asia caused a fundamental change of strategy by Singapore's neighbours, he told the Singapore National Employers' Federation Second Assembly of Chief Executives and Employers here recently.

Lee, who was Prime Minister from 1959 to 1990, said Singapore had overcome its limitations in size of population and natural resources

because it dared to go against conventional wisdom. The Singapore economy did well from 1986 to 1995 with per capita Gross National Product (GNP) more than doubled from S\$14,700 million to S\$35,000 million. (S\$1=RM1.768)

His son, Brig Gen Lee Hsien Loong, who is Deputy Prime Minister, told visiting Malaysian journalists recently that, politically, it had been able to maintain stability.

Economically, Singapore had performed well. For two years, it was voted one of the top 10 economies in terms of competitiveness in East Asia and this, he said, was commendable given that it had no oil resources.

"We always aim high and we are confident of maintaining growth at between six and eight percent, although in 1991 our GDP was six percent, which was not quite a recession," he added.

At the same time, the Asia Pacific region was ebullient with China, India and Myanmar offering exciting trade prospects. "If we can catch a steady wind, we can achieve this course," he said.

The younger Lee said that it was much easier to develop ties when both Malaysia and Singapore were developed although there would be problems from time to time. "We cannot completely wash out our history," he added.

In fact, most of the leaders interviewed had high regard for Malaysia's vibrant economy, particularly, under the dynamic leadership of Prime Minister Datuk Seri Dr Mahathir Mohamad.

Another form of cooperation was the Growth Triangle formed between Singapore, Johor and the Riau Islands of Indonesia.

Companies investing in the Growth Triangle could capitalise on the complementary advantages of the three countries by locating their business headquarters and high value-added manufacturing in Singapore and resource intensive manufacturing in the Riau Islands or Johor.

Dr Mahathir's Vision 2020 which will see Malaysia on the road to industrialised nation status would see stronger ties between Malaysia and Singapore, they said.

Singapore 2000 articulates the republic's aims and aspirations of becoming a first-league developed nation and outlines the strategies developed to realise the objective by the turn of the century.

Singapore leaders, including key officials of the Port of Singapore Authority (PSA), viewed Dr Mahathir's suggestion to replace the causeway linking the two countries with a bridge positively.

Plans by Malaysia to make Port Klang the country's premier port to serve as an alternative hub to Singapore port were also welcomed. They said that any positive development in Malaysia would augur well for Asia's growth as the pie was growing.

Four of the world's five leading ports are in Asia -- Hong Kong, Singapore, Kaohsiung in Taiwan and Pusan in South Korea.

Analysts have predicted that an average six percent growth a year for the next 15 years was entirely possible as Asia industrialised. -- BERNAMA

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