

21 FEB 1996

RADICAL CHANGES NEEDED UNDER 7TH MALAYSIA PLAN

By: Michael Raj

KUALA LUMPUR, Feb 21 (Bernama) -- The Seventh Malaysia Plan, the roadmap for the country's continued development until the year 2000, must contain radical changes in strategy in order to cope with increasing challenges in the global marketplace, economists here say.

Prime Minister Datuk Seri Dr Mahathir Mohamad will present the Plan, covering the period 1996-2000, in Parliament in April. The strategies, programmes and projects contained in the blueprint will carry Malaysia right up to the beginning of a new millenium.

A major change advocated was that Malaysia, whose economic development so far has been largely attributed to foreign direct investment, must cut this umbilical cord between now and the end of the decade.

Pivotal to such a change must be a more aggressive shift towards high-technology and capital-intensive industries, and at the forefront of this strategy should be the establishment of more home-grown industries.

This would mean nurturing the Malaysian equivalents of South Korea's Samsung or Daewoo or Taiwan's Acer, in other words high-technology Malaysian businesses which are competitive globally.

Encik Al Alim Ibrahim, senior fellow at the Institute of Strategic and International Studies (ISIS), said: "We need to rethink the way we do things ... look global and not be confined to the domestic market."

He added that although manufactured products contributed 32 percent to the Gross Domestic Product (GDP), indicating an industrial economy, large-scale high technologies were lacking, and this situation must be rectified through radical change.

Citing the electronics sector, Al Alim said although it was the biggest export sector, it still had a large import element, which was why Malaysia needed to enhance value-added electronics products.

This radical change, which incorporates such elements as going into downstream activities in a big way besides pushing exports aggressively, is "vital to our long-term survival", he said.

Al Alim concurred with Dr Mahathir's views that Malaysian industries now lacked critical mass, having only looked previously to the home market and being unable to cope when demand shoots up.

A classic example, he said, was in the manufacture of the national car, where initial plans focused on making it a success domestically, but it quickly broke all records and was soon in great demand both in Malaysia and overseas.

The result was a long waiting period for frustrated would-be Proton owners, a situation which must, and can, be avoided through foresight and by using modern technology, including possibly robotics, Al Alim added.

He suggested that Perusahaan Otomobil Nasional (Proton) look to detaching itself from Japan and making complete engines, its own chassis and other parts locally, but stressed that the final result must not compromise on quality.

Dr Mahathir had also stressed that local industrialists must alter their strategies and must look to producing on a big scale to achieve economies of scale and thereafter look to marketing their products around the world.

Former banker and Treasury secretary-general Tan Sri Ramon Navaratnam said a major structural shift towards high technology in the Seventh Plan is inevitable given the success of the fifth and sixth fove-year

development plans.

This was evident from the country's full employment status, leading to a shortage of labour and a rush of an estimated two million foreign workers pouring in to fill the gap.

He said these developments were testimony of a successfully managed economy. "But, we must not be complacent," Navaratnam cautioned, saying "Malaysian industry must be receptive to the necessary technologies or we might lose our place as the 18th largest trading nation in the world."

He said the entire gamut of economic activity needed to undergo transformation and it must be done fast, including the upgrading of service industries such as opening the banking and financial institutions to global competition.

However, he pointed out that in many areas, Malaysia lacked efficiency because industries did not apply competitive technologies but rather continued to depend on the government or were highly protected.

Another important strategy towards firmly establishing an industrial economy would be through the incorporation of a cluster-based economic development, which would form the basis of the new Industrial Master Plan (IMP).

Minister of International Trade and Industry Datuk Seri Rafidah Aziz said recently that the government would have to seek out the right types of high-technology industries and persuade them to relocate or expand here.

Besides this, there would also be a need to look at the future requirements of some industrial sub-sectors to ensure their continued contributions to the overall economic growth and development of the country.

She said there was also a need to identify new and strategic industries that had the capacity to spawn the development of ancillary and supporting industries as well as enhance the country's technological capabilities.

Al Alim said the Seventh Malaysian Plan "was not about picking winners but rather emphasising on our strong points such as fabrication of metal products or steel products and taking full advantage of large scale exports".

In fact, the promotion of exports would be an often-repeated phrase in the Seventh Plan as Malaysia was bent on reducing its balance of payments current account deficit, brought on mainly by the services deficit and growing imports.

Efforts would also have to be focussed on reducing freight, shipping and insurance charges, by developing local shipping as well as the reinsurance sector, which was still struggling to shrug off foreign dependence mainly due to heavy outlay, Al Alim said.

Education was another area in which Malaysia paid out massive amounts, something which was now being partly rectified through twinning programmes established by Malaysian institutions of higher learning with tertiary institutions overseas.

Navaratanam went a step further by saying that Malaysia "cannot become technologically oriented unless we have the necessary education", and added that the few technical schools now available in the country were insufficient,

"... We must have a strong dose of maths and science in the early stages of education," he said.

Al Alim said the 1996-2000 period also needed to further prod small and medium scale industries (SMIs), for as the backbone of the country's industrialisation process, they needed to play a more meaningful role

This is where state governments can play a vital role in giving incentives in the form of rebates on industrial land and providing resources while financial institutions must be forthcoming in supporting

SIMs to financially.

However, a better alternative would be for SIMS to merge and become bigger operations, he said, adding that their development also depended on the multinational companies sourcing their needs from them.

He lamented how despite many locals SIMs producing intermediate goods of high quality, some foreign companies, especially Japanese firms based here, preferred to source from their home countries, hence retarding the development of the SIMs and therefore many continue to struggle.

Dr. PHS Lim, the president of the Malaysian Investors' Association, predicted the Malaysian economy would be able to grow at an average of 7.5 percent through the seventh plan period with a low inflation scenario.

He however stressed that another important criteria under the development plan was emphasis on the environment, with measures to safeguard air quality, limiting pollution and recycling to be a major thrust.

No less important would be the continuing push to meet social objectives such as low-cost housing targets and bringing a higher standard of living to the people, he said.

Al Alim said that in the final analysis, "Malaysia must preserve to create a self-contained economy, to the extent that we are able to export our capital and technology to other countries.

"We have the capability to lift Malaysia confidently into the ranks of a highly successful industrial nation into the next millenium and fulfil the visions of 2020," he said. -- BERNAMA

MR LKC