

# Economic performance

Nst 24 APR 2001

By Datuk Seri Dr Mahathir  
Mohamad

**W**ITH great pleasure, I stand before this distinguished House to present the following motion:

“That this House recognising the recovery of the economy and the achievement of our socio-economic objectives during the implementation of the Seventh Malaysia Plan;

Endorsing the efforts of the Government in the implementation of the Third Outline Perspective Plan;

Approves the Eighth Malaysia Plan, which seeks to implement strategies and programmes and allocate funds designed to achieve the objectives and commitment of the National Vision Policy, as set out in the Command Paper No.12 of 2001;

That in approving the Eighth Malaysia Plan, this distinguished House calls upon all Malaysians to stand united with renewed vigour and commitment in undertaking this noble task of building a progressive and resilient nation.”

With your permission, Mr Speaker, Sir, I present the Eighth Malaysia Plan for the period 2001-2005, for the debate of the Honourable Members of this distinguished House.

A few weeks ago I stood before this House to present the Third Outline Perspective Plan (OPP3), 2001-2010, which contains the National Vision Policy (NVP), that provides the direction for the development of the nation and the policy agenda for the next 10 years.

As Honourable Members are aware, this House has approved the OPP3 with wide consensus that the new policy will contribute towards further strengthening national unity among the various races in our beloved country.

The Eighth Malaysia Plan, which covers the period 2001-2005, represents the first phase in the implementation of the OPP3. As we enter the Eighth Plan period, we continue to face many challenges.

Notwithstanding this, we are confident that we can overcome these challenges with the implementation of the right mix of policies and the commitment of all.

This confidence is based upon our ability to implement the Seventh Malaysia Plan despite the attacks by currency speculators that caused the country to experience a slowdown in the economy.

## PERFORMANCE DURING THE SEVENTH PLAN PERIOD

### Economic Progress

The Seventh Malaysia Plan was launched in 1996 following a period of high growth with stability. The Seventh Malaysia Plan, while reemphasising the concept

of balanced development, also introduced the strategy of productivity-driven growth of the economy to enhance the resilience of the nation to face the challenges of the twenty-first century.

Even as we prepared ourselves, we were confronted with the financial crisis in the region that also directly affected us and subsequently, the economic slowdown. We were again reminded that the development path is never smooth but has its ups and downs and we cannot afford to be complacent.

Overall, the performance of the economy was commendable during the Seventh Malaysia Plan period. The real Gross Domestic Product (GDP) recorded an average growth of 4.7 per cent per annum, surpassing the revised target of 3.0 per cent. Recovery measures introduced in 1998 helped to stimulate consumption, while containing inflationary pressures. The unemployment rate remained low at about 3.0 per cent and the Consumer Price Index declined to 1.6 per cent in 2000.

The recovery measures also afforded a stable environment for the banking and corporate sectors to implement their restructuring and consolidation programmes. The various agencies created to manage non-performing loans (NPLs), re-capitalise banks and restructure corporate debt, have succeeded in strengthening the sectors and helped them to focus on more productive economic activities.

By the end of 2000, the amount of non-performing loans was reduced to 6.3 per cent of total loans from a peak of 11.4 per cent in August 1998. The risk-weighted cap-

ital adequacy ratio of the banking system increased to 12.4 per cent from its lowest level of 10.1 per cent in August 1998.

As the external sector is a catalyst to the nation's economic recovery, exports were increased while imports were reduced. As a result, our merchandise account recorded the largest surplus of RM86.5 billion in 1999.

Due to the remarkable trade performance, there were notable improvements in the current account, which compensated for the services deficit as well as the net transfer payments. Consequently, the current account which had been in deficit since 1990, turned positive starting from 1998 to record its highest surplus of RM47.9 billion in 1999 or 17.1 per cent of the Gross National Product (GNP).

This strengthened the current account position of the nation. Since August 1998, the nation's external reserves have increased by US\$9.7 billion (RM36.86 billion) to stand at US\$29.9 billion by the end of 2000, sufficient to finance 4.5 months of retained imports and is 6.4 times the short-term external debt.

These achievements were the result of the government decision not to borrow from the International Monetary Fund (IMF), which would have placed the country at the mercy of this agency. On the other hand, we have created our own approach by preventing the currency speculators from trading the ringgit and controlling speculative attacks on the Kuala Lumpur Stock Exchange. In this way, we were not burdened with debts from the IMF unlike other countries.

Although we managed to recover from the crisis in our own way, the Government had to implement an expansionary fiscal policy to stimulate the recovery in the economy by increasing and accelerating Government expenditure in infrastructure projects and also to grant bonus to government employees to increase retail trade.

These actions succeeded in alleviating the impact of the slowdown on poverty and the restructuring of society.

hardcore poverty decreased slightly from 2.1 per cent to 1.4 per cent for the same year.

## RESTRUCTURING OF SOCIETY

Progress was also made in the restructuring of society, particularly in employment restructuring and the creation of the Bumiputera Commercial and Industrial Community (BCIC). However, in terms of corporate equity, the proportion of Bumiputera ownership declined below the 1995 level. Although in absolute terms, Bumiputera ownership of share capital at par value increased by 12.6 per cent per annum from about RM37 billion in 1995 to RM59 billion in 1999, in percentage terms it declined from 20.6 per cent to 19.1 per cent.

Similarly, the equity ownership among

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non-Bumiputera also declined during the period from 43.4 per cent to 40.3 per cent.

This decline reflects the inability of our *rakyat*, particularly Bumiputeras, to sustain their equity holding structure during the difficult period following the economic crisis. This indicates that economic resilience has to be strengthened.

## EMPLOYMENT, EDUCATION AND TRAINING

During the Seventh Plan period, employment expanded at an impressive rate leading to a tight labour market situation. To address this situation, various measures were introduced to increase the supply of skilled manpower. These measures included expansion of the education and training capacity, particularly those in the private sector, and incentives to increase the female labour force participation rate.

The Government also continued to allow the employment of foreign workers, particularly skilled workers. Efforts were also made to increase the capital-intensity of the production processes through encouraging firms to adopt more labour-saving technologies.

Concerted efforts to increase accessibility to education and training resulted in in-

creased enrolment at all levels from pre-school to degree level. Special focus was given to reduce the performance gap between rural and urban schools through the upgrading of teaching and learning facilities and placement of more trained teachers in rural schools.

In support of the implementation of a productivity-driven growth, which requires highly skilled, trainable and knowledge manpower, substantial progress was made to provide more opportunities for the *rakyat* to pursue tertiary education and training.

During the Seventh Malaysia Plan period, the Government built three new universities and three new polytechnics to increase tertiary enrolment in public institutions.

With the implementation of the Private Higher Educational Institutions Act 1996, the private sector also became an important provider of tertiary education.

Six private universities offering degree programmes in key technologies were set up while three foreign universities were allowed to set up branch campuses to offer courses up to the degree level.

The expanded education and training infrastructure not only allowed Malaysians to pursue tertiary education locally, thus saving foreign exchange but also attracted foreign students to study in Malaysia. With this development, we have laid the foundation to develop Malaysia into a centre of education excellence.

## HOUSING, HEALTH AND OTHER SOCIAL SERVICES

The overall achievement of housing programmes was very encouraging with the completion of 859,480 units of houses. This figure represents an achievement of 107 per cent of the Seventh Malaysia Plan target. In this regard, special emphasis was given by the Government for the speedy implementation of the low-cost housing programme.

Various measures were implemented including the extension of the Low-cost Housing Revolving Fund and establishment of Syarikat Perumahan Negara Berhad as well as the Integrated Housing Programme or *Program Perumahan Rakyat Bersepadu* with the objective of resettling squatters in urban areas.

The expansion of promotive and preventive health services such as healthy lifestyle campaigns, expanding the coverage of the immunisation programme, school health services as well as providing safe water and sanitation in the rural areas, enhanced the quality of life for our rakyat.

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## SOCIO-ECONOMIC PROGRESS

### Poverty Eradication

Despite experiencing some reversals during the economic crisis, there was overall progress achieved in bringing about equitable growth during the Seventh Malaysia Plan period, especially with regard to poverty eradication and income distribution.

As Honourable Members may recall, the thrust of the Seventh Malaysia Plan was to reduce the incidence of hardcore poverty to 0.5 per cent and of general poverty to 5.5 per cent by 2000.

To realise these targets, the Government continued to undertake the leading role in poverty eradication efforts by promoting income-generating projects and providing amenities to improve the living standards of the poor.

In addition, specific urban-based programmes, namely squatter resettlement and low-cost housing projects, improved the living conditions of the urban poor. As for the hardcore poor, the rapid economic growth prior to mid-1997, and the intensified implementation of the Development Programme for the Hardcore Poor or *Program Pembangunan Rakyat Termiskin* (PPRT) helped in reducing its incidence.

As a result, the incidence of poverty among Malaysians decreased from 8.7 per cent in 1995 to 6.1 per cent in 1997, and the number of poor households declined by 25 per cent, from 365,600 to 274,200. However, our efforts to further reduce poverty were hampered by the economic crisis. We were only able to reduce the incidence of poverty to 7.5 per cent in 1999 and the incidence of

# Privatisation genera

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## INFRASTRUCTURE DEVELOPMENT

The provision of a comprehensive range of infrastructure facilities and services is essential to support the growth of the economy. Infrastructure constraints at the beginning of the Seventh Malaysia Plan period have largely been overcome with the accelerated capacity expansion of roads, ports, airports, urban transportation, communications, water supply and electricity as well as sewerage services. Some of the major projects completed were the KL International Airport, Port of Tanjung Pelepas, Light Rail Transit (LRT), Second Link to Singapore, Kelinchi Dam and Malaysia's own satellites, Measat 1 and Measat 2.

## PRIVATISATION

Privatisation continued to be an essential part of the Seventh Malaysia Plan strategy of promoting greater private sector participation in economic development. Through the privatisation programme, the *rakyat* was able to enjoy better facilities. This is because, if the projects were to be implemented by the Government, many of the projects would have to be deferred for many years until the Government had sufficient funds.

Meanwhile, the *rakyat* would not be able to enjoy quality facilities and the number of accidents on low quality roads would increase tremendously. On the other hand, through privatisation, new facilities were developed much earlier for the benefit of the *rakyat*, for example, highways with lower toll rates.

Privatisation has generated a large number of employment opportunities, which require new skills and more sophisticated technology. The privatised entities have embarked on programmes to retrain workers as well as upgrade capabilities and to increase their competitiveness. Better terms of employment not only motivated the employees but also brought about a culture change in the work environment that was more result-oriented.

In addition, employees were given the opportunity to participate in the ownership of the entities through the Employees Share Option Scheme. These schemes helped to instil a sense of belonging and dedication, thereby, enhancing productivity.

The Government has not relinquished

all its responsibilities to the private sector. By transferring government assets at a reasonable price to the private sector and providing soft loans, the cost of these facilities was reduced. As a result, the payment by the public to the private companies for these services could be reduced.

For instance, if the total cost of building a highway is to be fully borne by a company, then the toll rate would likely be as high as one ringgit per kilometre. Due to the Government subsidy, toll rates in Malaysia are the lowest in the world. The same applies for other privatised public facilities.

Nevertheless, during the Seventh Malaysia Plan period, through privatisation the Government managed to save capital expenditure totaling RM49.2 billion, while the proceeds from the sale of equity and assets amounted to RM4.4 billion. This enabled the Government to allocate more funds for social services such as education and health, which benefited the *rakyat*, particularly the poor and those in rural areas.

## THE EIGHTH MALAYSIA PLAN, 2001-2005

Our primary challenge during the Eighth Malaysia Plan period will be to implement the National Vision Policy to strengthen the nation's capacity, capability and resolve in meeting future challenges. At the same time let us not forget that at the core of our socio-economic development is the overriding goal of national unity.

With these perspectives in mind, the theme of the Eighth Malaysia Plan is achieving sustainable growth with resilience. Accordingly, the three key thrusts of the Eighth Malaysia Plan are to shift the growth strategy from input-driven towards knowledge-driven in order to enhance potential output growth, accelerate structural transformation within the agriculture, manufacturing and services sector and strengthen socio-economic stability through equitable distribution of the nation's income and wealth.

Developing the country into a knowledge-based economy will permeate every sector and involve the *rakyat* at large. All must and can partake in greater utilisation of knowledge. The knowledge content of all economic activities, be it in agriculture, manufacturing or Government will have to be increased so as to strengthen value added and generate employment. The Plan emphasises this aspect in all the 23 Chapters presented.

All Malaysians will be given equal chances and opportunities to enhance their

quality of life and be involved in the knowledge-based economy. Focus will be directed towards providing better opportunities in education especially in rural areas, and increasing accessibility to better health facilities and affordable houses to be owned or rented by the *rakyat*.

Efforts will also be taken to promote healthy lifestyles as well as providing more cultural and recreational amenities to enable our people to enjoy the aesthetic aspects of life. Participation in sports will also be encouraged to strengthen the spirit of solidarity, comradeship and esprit de corps among the *rakyat*.

From past experience we saw that economic development and globalisation will have consequences on the nation's social and cultural institutions and norms. Measures will have to be taken to ensure that



**All Malaysians will be given equal opportunities to enhance their quality of life and be involved in the knowledge-based economy.**

society is resilient to withstand the negative influences that may erode moral values as well as affect social harmony and tolerance.

Therefore, an important strategy will be strengthening moral and ethical behaviour among Malaysians. Greater emphasis will be given to nurture and inculcate positive values, particularly among our youths, through the implementation of programmes such as *Rakan Muda*. We also need to instil a sense of national identity and pride among our people from all walks of life.

## MACROECONOMIC TARGETS AND PROSPECTS

The strengthening of macroeconomic fundamentals and the financial sector together with the strong performance of the economy in 2000 will provide the base to sustain the high growth during the Eighth Malaysia Plan period. The GDP is projected

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to grow at an average rate of 7.5 per cent per annum with low inflation.

I remain confident that the medium-term prospect for the economy is still good despite the possible adverse effect of the slowdown in the US economy this year, on our exports and growth performance.

Looking at the scenario for the five years of the Eighth Plan, private consumption in real terms is projected to increase at 7.4 per cent per annum in line with the expected rise in per capita income from RM13,360 in 2000 to RM17,780 in 2005. Private consumption per capita is expected to increase from RM6,200 in 2000 to RM9,070 in 2005, in view of the growth in disposable income.

Private investment will continue to provide the stimulus for the economy with its growth averaging 19 per cent per annum. Its share to total investment is expected to be 68.7 per cent in 2005. Private investment in nominal terms, however, will have to increase by more than double from RM42.9 billion in 2000 to RM105.5 billion in 2005.

The capital market, particularly the private debt securities market as well as the pension and provident funds, will provide important sources of financing to meet the investment needs of the productive sectors of the economy during the Plan period.

Foreign investment will continue to be important, although its share to total investment is expected to decline as a result of the anticipated higher growth in domestic investment and increased global competition for foreign direct investment (FDI).

As the economy matures, there will be less reliance on labour and capital input, while the contribution of Total Factor Productivity (TFP) as a source for growth will be further enhanced during the Plan period. TFP is expected to contribute 37.2 per cent of the 7.5 per cent per annum growth target, while the contribution of labour and capital will be 21.5 per cent and 41.3 per cent, respectively.

The task before us is formidable as the increase in TFP contribution to growth will require wide-ranging structural transformation to upgrade economic efficiency. This will include improving skills and management capabilities, increasing research and development (R&D) spending, and greater use of technology and information and communications technology (ICT) in all economic sectors, in line with efforts to develop the knowledge-based economy.

In addition, public investment will be increased to improve the education and training delivery system. At the same time,

the private sector will be encouraged to assume a bigger role, particularly in terms of R&D and product innovation.

Malaysia's export performance in the next five years is expected to be favourable with gross exports forecast to grow at an average rate of 7.9 per cent per annum. With the scheduled liberalisation of trade in goods and services under the World Trade Organisation (WTO) as well as the commitments to tariff reductions under bilateral and regional trade arrangements, Malaysian exports are anticipated to penetrate a wider range of markets.

Towards this end, Malaysia will need to enhance the competitiveness of its products through productivity increases and quality improvements. This includes the establishment of trading houses that will provide the support services to promote Malaysian exports overseas.

During the Plan period, gross imports will grow at a rate of 10.2 per cent per annum, comprising mainly of capital and intermediate goods. Efforts will be taken to increase the production of locally manufactured capital and intermediate goods, including parts and components, to reduce import intensity.

However, local inputs will have to be produced more efficiently in order to compete with cheaper imports. Imports of consumption goods are expected to grow moderately in line with efforts to contain imported inflation, including the Buy Malaysian campaign.

The current account of the balance of payments is expected to remain in surplus for the whole Plan period, although on a declining trend, while the merchandise account of the balance of payments is expected to register a surplus of 17.4 per cent of GNP. However, the services account will continue to be in deficit at 11.4 per cent.

The Government will continue to implement measures aimed at reducing the large deficit in the services account. Increased foreign exchange earnings are to be expected from tourism, education, shipping and insurance, finance and consultancy services.

These measures include among others, increasing the efficiency of the transportation services in view of the large deficit in freight and insurance. To enhance the efficiency of port services, efforts will be undertaken to streamline administrative procedures through the implementation of the electronic data interchange, expansion

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# Ethics and morals

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in the number of haulage companies, expansion of the domestic shipping fleet and stricter enforcement of cabotage rules.

Efforts will continue to be undertaken to maintain a low rate of inflation during the Plan period. Towards this end, measures to enhance local food production will continue to be implemented, particularly through the provision of land and the promotion of joint public and private sector initiatives to increase the supply of food, thereby reducing food imports. In addition, the Government will ensure that the growth of money supply is consistent with price stability, and adopt a prudent fiscal policy.

The anti-inflation strategy will also include various administrative measures, such as the enforcement of price-tagging and averting irresponsible price increases, prevention of restrictive sales practices and monitoring of the prices of basic necessities for the lower-income group.

Measures to encourage automation and labour-saving techniques as well as increased participation of females and pensioners in the labour market will continue to be undertaken in order to moderate labour demand pressures and ensure that wage increases are in line with productivity growth. In addition, the price index is expected to be maintained at a low level with the availability of cheaper imports in the domestic market.

With the economic recovery, the public sector will resume its role as the facilitator of private sector participation in the economy. The operating expenditure during the Plan period will be moderated through prudent fiscal management and efficient use of resources.

Meanwhile, the public sector development expenditure is estimated to increase from RM222.9 billion during the Seventh Malaysia Plan to RM253.4 billion during the Eighth Malaysia Plan. Of this total, RM110 billion or 43.4 per cent will constitute the development expenditure of the Federal Government and RM109.4 billion or 43.2 per cent will be the development expenditure of the non-financial public enterprises (NFPEs).

Although in current terms, the absolute level of the public sector development expenditure is larger, in real terms, it will be lower than that in the Seventh Malaysia Plan, in line with the policy to reduce the public sector's role in economic activities.

## GROWTH AND DISTRIBUTION

The thrust of the poverty eradication strategy is to reduce the incidence of poverty to 0.5 per cent by 2005. Poverty eradication programmes will be more target-specific by addressing pockets of poverty, particularly in remote areas. In addition, the respective programmes will also address the issue of poverty among the Orang Asli and other Bumiputera mi-

## OWNERSHIP AND CONTROL OF THE CORPORATE SECTOR

As for the restructuring of ownership in the corporate sector, efforts will continue to be taken to improve effective Bumiputera participation as well as increase the share of capital ownership and control of companies to at least 30 per cent by 2010.

To accelerate the restructuring process, programmes that provide opportunities for potential young entrepreneurs and corporate leaders, particularly in the modern and strategic sectors, will be strengthened.

As Bumiputera companies have, relatively speaking, made inroads into the construction, transportation and agricultural sectors, they will be encouraged to diversify into other higher value-added activities during the Plan period.

Besides setting the quantitative target,



**Efforts will continue to be undertaken to maintain a low rate of inflation during the Plan period. Measures to enhance local food production will continue to be implemented.**

an important agenda is to improve the resilience of the Bumiputeras to enable them to sustain their corporate equity holdings and not succumb to divestment for short-term profits or when the country is faced with an economic crisis.

The role of Bumiputera institutions and trust agencies will be enhanced, especially in mobilising Bumiputera resources and in creating new wealth. In this regard, Bumiputera trust agencies and institutions, such as the State Economic Development Corporations (SEDCs), will undertake measures to reposition, review and consolidate their position to enable them to face future challenges.

These institutions and trust agencies will also be provided with greater opportunities to increase their stake and effective ownership of companies for the benefit of the wider Bumiputera community.

## EMPLOYMENT RESTRUCTURING

During the Eighth Malaysia Plan, the implementation of strategies and programmes to restructure employment in the various sectors and occupations will continue to be undertaken. Measures will be taken to improve the balance of Bumipu-

will be encouraged to work in the peninsula to foster closer relationships among the States of Malaysia. Education and training will continue to be an important vehicle to achieve the employment restructuring objectives.

In this regard, more places will be made available for qualified Bumiputera students in public and private institutions of higher learning, particularly in science, ICT and other professional courses.

At the same time, attention will also be given towards improving the performance of Bumiputera students especially in Science, Mathematics and the English language, through more effective teaching methods, a better provision of educational facilities and the establishment of more residential schools. Adequate financing will be provided to the Bumiputeras to assist them to pay the higher fees in the private institutions.

## DEVELOPMENT OF THE BCIC

In line with efforts to develop the Bumiputera Commercial and Industrial Community (BCIC), measures will be undertaken to identify those with talents, provide them with intensive training in financial management and enterprises as well as instil the appropriate ethics for the success of their businesses. Only those who are willing to undergo these courses will be provided with opportunities, licences, capital and the like.

If any of them is found to have misappropriated the opportunities or fund, they will be blacklisted. The Bumiputeras should give serious attention towards the formation of the BCIC. It is not a scheme to get rich quickly but it is a serious effort towards restructuring society in order to attain an equitable balance between the Bumiputeras and the non-Bumiputeras in Malaysia.

Entrepreneurial training programmes will be intensified to enable Bumiputera entrepreneurs face the challenges of globalisation and utilise more knowledge content in their activities. These programmes will give emphasis in preparing Bumiputera entrepreneurs to be more self-reliant, competitive and practise good business ethics.

In addition, such training programmes will also inculcate positive values such as the need to be trustworthy, hardworking and disciplined, which are necessary traits to build successful and resilient Bumiputera entrepreneurs.

Towards this end, the National Institute of Entrepreneurship or *Institut Keusahawanan Negara* will be established as a focal point to undertake strategic planning on entrepreneurship, market intelligence, R&D, curriculum development, business networking and counselling.

In order to promote the participation of Bumiputera entrepreneurs in the ICT industry, a Bumiputera ICT Council will be established to plan and develop a Bumiputera ICT Agenda. The Agenda will include strategies to increase awareness of the opportunities in the ICT industry, develop a pool of ICT Bumiputera entrepreneurs, provide greater accessibility to capital and

norities in Sabah and Sarawak.

The strong economic growth that is anticipated during the Plan period is expected to generate more opportunities for the poor to increase their income and move out of poverty.

The Government will intensify efforts to ensure that the poor and low-income groups also benefit from various measures implemented in education, health services, housing and the provision of quality amenities.

To address pockets of poverty among households in urban centres and its periphery, the Government will implement programmes such as the provision of housing and amenities as well as opportunities to generate income.

At the same time, the respective States and local authorities will carry out the resettlement of squatter areas throughout the country.

In addition, the existing integrated approach taken by local authorities, private sector and non-governmental organisations (NGOs) will be continued through programmes such as the Integrated Development for Urban Communities, *Pusat Rahmat*, *Projek Harapan* and *Skim Khas Ibu Tunggal*.

The co-operation and willingness of this target group to accept these projects to increase their income is important if these projects are to be effective and successful.

## INCOME DISTRIBUTION

The Government will continue to address the issue of income imbalance, particularly between and within ethnic groups, income groups, economic sectors, regions and States.

With the expected high economic growth during the Plan period, the middle-income group is expected to increase in size and share of income.

As part of a major long-term income distribution objective, the nation will create a bigger and more prosperous middle-income group in addition to increasing income of the lower income group. The co-operation of this target group, is once again important, for them to succeed.

Various measures will be implemented to reduce income imbalances between the rural and urban areas as well as between the less developed and the more developed States. In rural development, the Government will continue to modernise and commercialise agricultural activities through various programmes.

In addition, measures will be taken to encourage smallholders and farmers, particularly those with small and uneconomical land size, to diversify into activities such as aquaculture and livestock farming as well as in non-agricultural income-generating activities.

At the same time, the Government will establish an income augmentation mechanism to protect smallholders during periods when the prices of primary commodities fall to drastically low levels in the world market. This will require discipline in the selection of the types of crops.

tera and non-Bumiputera employment in both the public and private sectors.

This will require concerted efforts of both the Government and the private sector. The concentration of non-Bumiputeras in the private sector and the Bumiputeras in the public sector will be reduced by increasing the number of non-Bumiputeras in the public sector and increasing the intake of Bumiputeras in the private sector in management and supervisory positions as well as in their businesses.

The Government will endeavour to increase the participation of non-Bumiputeras at all levels of the police, army and in the field of education. In this way, all the activities in the community will be reflective of the various races of Malaysia. Malaysian citizens from Sabah and Sarawak

market information as well as establish linkages with international markets.

Apart from ICT, the Government will continue to promote Bumiputera participation in strategic and high technology industries, namely biotechnology, petrochemical and communications.

## HUMAN RESOURCE DEVELOPMENT

A strong human resource base to support the development of a knowledge-based economy and enhance productivity and competitiveness will be one of the key strategies in ensuring that the nation is able to face the challenges of globalisation and sustain economic growth. Priority will be given to producing an adequate supply of manpower equipped with the required skills

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and expertise, as well as tacit knowledge and high level of thinking skills.

For Malaysia to catch up with developed countries during the next decade, it is important that growth will have to be productivity-driven. Increases in total factor productivity and raising the level of potential output are crucial to enhance Malaysia's international competitiveness in the short- and medium-term.

Efforts to increase productivity will depend on increasing the knowledge content of all economic activities and the availability of an adequate supply of highly skilled and knowledge manpower. Towards this end, efforts will be further intensified to expand the supply of highly skilled and knowledge manpower through the expansion of the education and training capacity with greater emphasis towards increasing the supply of science and technology (S&T) manpower.

In this aspect, the capacity of the S&T related educational and training programmes at the tertiary level will be further expanded to expedite the achievement of

Persistent labour shortages experienced in the Seventh Malaysia Plan resulted in the tightening of labour market and pressure on wages. However, the adoption of new technology has led to an overall improvement in the labour productivity, thus lowering the unit labour cost and resulting in improvement in the nation's competitiveness level.

We must realise that, with the economy expected to grow at an average annual rate of 7.5 per cent during the Eighth Malaysia Plan period, the country is anticipated to experience some shortage of high level skills, especially S&T manpower. The Government will encourage lifelong learning through the use of ICT via distance learning and web-based learning as well as the introduction of community colleges throughout the nation.

Initiatives will also be implemented to induce more firms especially the small- and medium-scale enterprises (SMEs) to move into higher capital-intensity production processes, and optimise the utilisation of local labour.

The prime target is to encourage more women especially those with tertiary education to join the labour force. This will be achieved through further amendments to the Employment Act 1995 to include new modes of working such as teleworking, part-time work and job sharing.

The amendment of the Act will also facilitate the setting-up of community nurseries and kindergartens within residential areas and ensuring better access to training opportunities. Pensioners with the appropriate qualifications and experience will continue to be considered for re-employment, on a case-by-case basis.

Another important issue that needs to be given emphasis is that wage growth must commensurate with productivity increases. Wage increases that do not reflect productivity gains will in the long-term result in inflationary pressures and erode the competitiveness of the country's products in the international market.

the 60:40 ratio of science to arts students. At the same time, the provision of scholarships for post-graduate and post-doctoral degrees will be further increased.

To meet this objective, the education and training system will be reoriented to ensure that the output from these institutions can match the requirements of new technology and knowledge, needed to spur economic growth and enhance competitiveness.

The education and training system will also place emphasis on nurturing creativity and cognitive skills and give priority to producing multi-skilled and knowledge manpower that is versatile, willing to learn continuously and technopreneurial. In line with the liberalisation of education and training, the private sector will continue to be a major provider of education and training, especially at the tertiary level.

In our quest for economic growth, equal priority will also be given to the social dimensions of development. All our people will be given opportunities to benefit from the development that will take place during the next five years. Accessibility to education and training will be increased at all levels.

Emphasis will be given to improving the performance of students in rural and remote schools by upgrading facilities and educational support services. At the tertiary level, the National Higher Education Fund will be increased to cover more students including students in private institutions.

We are also encouraging parents to save for their children's education, by setting up the Education Savings Scheme that will be launched by the Government. Students pursuing training in skill training institutes will also be provided with loans.

Therefore, I urge workers of all levels in all sectors to step up efforts, individually or jointly, to improve and increase their productivity and efficiency. This increase will contribute towards sustaining growth and ensure that Malaysian products can compete in the international market.

Therefore, the Government will take initiatives to encourage firms to intensify the implementation of the productivity-linked wage system to ensure that wage movements are closely aligned with productivity.

As the economy becomes more knowledge-intensive and the use and diffusion of ICT more widespread, ethics and moral values are important to ensure that the acquisition, utilisation, dissemination and management of knowledge and information will be for the general good of society. In this regard, efforts will have to be made to inculcate positive values through the education and training system as well as courses to develop the appropriate culture in line with current challenges.

## SECTORAL THRUSTS

The manufacturing, agriculture and services sectors will continue to be the major contributors to growth in the Eighth Malaysia Plan period. The manufacturing sector is expected to grow at an average rate of 8.9 per cent per annum, with its share to GDP increasing to 35.8 per cent by 2005. The growth momentum of the manufacturing sector will be sustained through developing industries capable of meeting the high expectations of consumer demand, forming strategic alliances and developing dynamic industry clusters.

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With technology transfer and greater R&D efforts, more linkages are expected to be forged between large enterprises and the small-and-medium enterprises, thereby strengthening the growth of the manufacturing sector.

The downstream development of higher value-added products of the resource-based industries, particularly the petrochemical, pharmaceutical, wood products, rubber products and food product industries, is expected to further contribute to the building up of domestic capabilities as well as competitiveness of the manufacturing sector.

At the same time, the electrical and electronic products industry will be diversified to produce high-technology products demanded by the global market.

During the Plan period, it is critical for us to modernise the agriculture sector and enhance its contribution to the economy. To do this, we will implement a new focused approach where there will be distinct changes such as mixed farming rather than mono-cropping in small farms, widespread utilisation of more advanced technology in production processes and dynamic marketing strategies.

While the overall thrust will be to revitalise the sector, concerted efforts will be made to improve the well-being of the farmers and smallholders through better managed and more productive farming. We must not forget the strategic importance of this sector, as it is the supplier of food for the nation as well as raw materials for the manufacturing sector.

New measures will have to be formulated and implemented to increase production and productivity as well as contribute towards higher incomes for the farmers and smallholders. Besides efforts to increase food production, new sources of growth will be promoted such as bamboo, rattan, floriculture, herbs, medicinal plants and ornamental fish.

The production of industrial commodities will be rationalised and strengthened to ensure supply of raw materials for the resource-based industries as well as increase linkages with other sectors in the economy. Towards this end, agriculture will have to be developed in an orderly and scheduled manner just as in the manufacturing industries and the office.

Government efforts alone will not be sufficient if not complemented by active participation of farmers, smallholders and fishermen as well as others in the private sector to expedite the transformation pro-

time. As an immediate measure, the Government recently provided special assistance to oil palm and rubber smallholders. However, the smallholders should not be dependent on the subsidy. Instead they should increase their income by undertaking the changes that I have mentioned.

The services sector is expected to grow by 7.7 per cent during the Plan period. Higher growth is expected from three major subsectors, namely, transport, storage and communications; the finance, insurance, real estate and business services; as well as the wholesale and retail trade, hotels and restaurants subsectors.

The wholesale and retail trade, hotels and restaurants subsector will be propelled by higher disposable income and also the concerted efforts to make Malaysia a major tourist and shopping destination. These efforts will include hosting major sporting events, making Malaysia a major centre for meetings, conventions and exhibitions as well as organising year-long event-based activities. At the same time, efforts will be undertaken to pro-



**In building a resilient nation we will need to further strengthen our competitiveness and efficiency through technology, skills and innovation.**

note domestic tourism, especially to take advantage of the two non-working Saturdays every month.

**ACCELERATING SCIENCE AND TECHNOLOGY DEVELOPMENT**

In building a resilient nation we will need to further strengthen our competitiveness and efficiency through technology, skills and innovation. Within the context of a knowledge-based economy, a strategic thrust during the Eighth Malaysia Plan period will be to accelerate the development of Malaysia's capacity and capability in science and technology, knowledge and skills, promoting innovation and intensifying market-oriented R&D.

consider the setting up of a Bio-Valley.

**INFORMATION AND COMMUNICATIONS TECHNOLOGY**

As Honourable Members are aware, the initial ICT infrastructure was provided in the Seventh Malaysia Plan. For the next five years, efforts will focus on establishing Malaysia as a global ICT and multimedia hub. Accordingly, the ICT infrastructure will be upgraded through several initiatives including increasing the capacity of the transmission backbone up to 10 gigabits per second and introducing the Network Management System for better service availability.

The ICT infrastructure will also be extended to the rural areas to reduce the digital divide. Among the programmes to be implemented include Infodesa and Internet Desa, which will offer awareness and training courses. The Government will continue to facilitate the introduction of new and innovative services in the communications and multimedia industry. In addition, performance standards and broad guidelines will be set to protect and promote consumer interests.

The first wave Multimedia Super Corridor (MSC) flagship applications will be rolled out in the Eighth Malaysia Plan after ascertaining their effectiveness. The Smart School concept will be expanded to cover 8,000 schools while telehealth will be implemented at various health centres and rural clinics. For the future agenda, the second wave flagship applications will focus on attracting leading edge technology developers and promoting transfer of technology as well as R&D activities.

**ENERGY**

As energy is an important input in economic growth, sustainable development of the sector will continue to be one of the main strategies of the Eighth Malaysia Plan. The reliability and security of energy supply will be ensured through an optimal energy mix based on four main domestic sources of fuel — namely, oil, gas, coal and hydro.

In addition, to ensure adequacy of electricity generating capacity, new private investments will be encouraged and the transmission and distribution networks, particularly in Sabah and Sarawak, will be further strengthened. There is also an urgent need to moderate the energy intensity trend in order for Malaysia to remain competitive. Hence, efficient utilisation of energy, especially in the industrial and commercial sectors, will be encouraged.

cess. We have to adopt new technologies, consolidate and amalgamate fragmented holdings of land into bigger economic size where machines can be used to improve productivity, reduce labour input and cost of production.

Smallholders and estates will be encouraged to diversify their activities by planting other potential crops including selected timber species as well as venturing into resource-based industries to increase their income.

The Government is well aware and concerned about the plight and hardships of the smallholders as a result of the low prices of oil palm and rubber from time to

Efforts will also be taken to further strengthen the linkages between the relevant sectors and institutions to evolve an effective national innovation system that will emphasise commercialisation of potential products, processes and services.

Recognising the growing importance of biotechnology as one of the key technologies for the 21st century, efforts will be taken to build up the nation's capability and capacity to harness the use of this technology. This will entail the formulation of a National Biotechnology Policy to provide a comprehensive and co-ordinated approach for the development of biotechnology. In addition, the Government will

## **ENVIRONMENT**

In pursuing all these advancements, we must not forget the importance of the environment and its effects on our lives. Efforts will be taken to improve air and water quality, manage solid waste and industrial waste efficiently, develop a healthy urban environment and conserve critical natural habitats and resources.

The public and the private sectors must realise that the environment is the responsibility of all and make conscious efforts to control pollution and environmental degradation. To enhance the level of awareness, commitment and civic consciousness among the people, environmental education, public and civic awareness programmes will be stepped up in co-operation with the NGOs, the private sector and the media.

## **PUBLIC SECTOR PROGRAMME FOR THE EIGHTH MALAYSIA PLAN**

The total Federal Government development expenditure for the Eighth Malaysia Plan will amount to RM110 billion. The economic sector will be provided the largest allocation amounting to RM50.5 billion or 45.9 per cent of the total allocation.

Of this allocation, RM7.9 billion or 7.1 per cent will be for the agriculture subsector, RM10.3 billion or 9.4 per cent for the commerce and industry subsector while transport and communications subsector will receive RM22 billion or 20 per cent of the total allocation. The social sector will be allocated RM37.5 billion or 34.1 per cent, of which more than half will be for education and training.

The security sector will be allocated RM10.8 billion or 9.8 per cent, while the general administration sector will be provided RM11.2 billion or 10.2 per cent of the total allocation.

Rural development programmes will focus on transforming rural areas to be more conducive to investment as well as attrac-

tive countryside living enjoying the full range of basic and quality infrastructure and social services. To achieve this transformation, the Government has allocated RM13.2 billion for the rural development programmes.

A major portion of the allocation will be channelled to land development, human resource enhancement and the implementation of various physical and social infrastructure works including rural roads, electricity and water supply.

The thrust of infrastructure development during the Eighth Malaysia Plan will be to upgrade existing facilities and increase capacities, particularly in the less developed areas as well as to improve productivity and efficiency in urban areas.

Of the allocation for infrastructure development, 78.6 per cent will be for the transport sector. From this allocation, RM4.9 billion will be for the development of new roads to open up corridors for growth as well as increase accessibility to rural areas.

An additional RM9.1 billion will be expended to improve and upgrade existing roads for greater safety, driving comfort and reduce travel time. To ease traffic congestion in major urban centres, an integrated, efficient and reliable public transport as well as intelligent transport systems will be implemented.

The capacity and efficiency of rail services will be improved with the electrified double-tracking project from Rawang to Ipoh, which will be extended to Padang Besar in the north and from Seremban to Johor Baru in the south. Port and airport capacities will also be increased and their efficiency improved to meet rising demand.

For long-term sustainability of the supply of safe water, the development and conservation of national water resources will be integrated with greater co-operation and co-ordination at Federal and State levels as well as industry players. Interstate water transfer, new and upgraded treatment plants, reduction of water loss and wastage projects will be implemented to ensure adequate water supply, for which RM4 billion is allocated.

In order to improve and expand sewerage services for better quality effluent and environmental protection, capital works and refurbishment of sewerage treatments

as contribute to social well-being. Therefore, the Government will identify projects that will generate multiplier effects and upgrade the quality of services particularly in the transportation, construction and utilities sectors.

A more stringent project evaluation procedure will be adopted, which will include the appointment of independent consultants and project auditors as well as ascertaining public opinion through surveys on the projects to be privatised.

To protect consumer interest and foster healthy privatised sectors, steps to restructure the relevant regulatory authorities will be expedited and the authorities strengthened through legislative support and capacity-building.

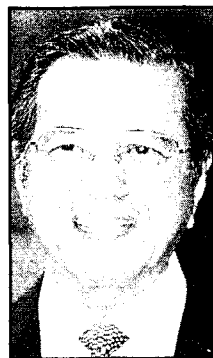
## CONCLUSION

Over the last few decades, we have laid a strong foundation for a rapid and sustainable economic growth. Our strength and resilience were tested several times when both internal and external factors caused our economy to slow down. The latest challenge was when the currency speculators pushed down the value of our currency and the KLSE. Yet, each time we not only succeeded to recover the economy but developed it at an even faster pace.

Attacks on the economies of the East Asian tigers resulted in these countries facing severe crisis. We have chosen not to borrow from the IMF in our efforts to make the economy recover and strengthen the financial position of the country.

Although renowned experts from all over the world predicted that Malaysia will eventually collapse due to the currency control imposed, today all of them, including George Soros, were forced to admit that the Malaysian approach was capable of overcoming the economic crisis due to the devaluation of the currency and the decline in the share market.

All the economic statistics indicated that the Malaysian economy has not only recovered but the recovery was better than that of other countries that were also affected by the crisis. After the GDP contracted by 7.4 per cent in 1998, a growth of 5.8 per cent was achieved in 1999 and 8.5 per cent in 2000. The external reserves increased from US\$20 billion in 1997 to US\$27 billion today.



**In pursuing all these advancements, we must not forget the importance of the environment and its effects on our lives.**

plants will be undertaken. Through these efforts we will ensure that besides protecting the environment the waste will be disposed according to established standards. The Government has allocated RM1.6 billion for these works.

Let me now highlight the utilisation of the allocation in the social sector. The development allocation for education and training will be used to increase accessibility and improve quality especially to fulfil the requirement of a knowledge-based economy. The capacity of science and technology-related education and training programmes will be expanded.

Additional facilities will be provided while existing facilities will be improved. At the tertiary level, new universities, polytechnics as well as skill training institutes will be built. In the case of health services, the emphasis will be on expanding and intensifying the scope and coverage of promotive, preventive, curative and rehabilitative services.

Housing and other social services will continue to be given priority with the aim of improving the quality of life and contributing towards the formation of a caring society. Priority will continue to be given to the development of low- and low medium-cost houses. The development of low-cost housing will be expedited to ensure that those who are eligible will be provided houses either for rent or sale.

## PRIVATISATION

High on the privatisation priority list will be those projects that stimulate economic growth and are commercially viable as well

At the end of 1999, the reserves increased to US\$31 billion but declined moderately due to increased imports, repatriation of profits and proceeds from the sale of shares and reverse investment by Malaysian firms as well as the depreciation of the yen and euro, which form a part of our foreign reserves.

The unemployment rate remained low at about three per cent with low inflation. Exports increased and surpassed RM287 billion while total trade increased to RM515 billion. The balance of payments is in Malaysia's favour. The per capita income increased from RM12,160 (1998) to RM13,360 (2000).

All these figures are true and not fabricated. Nevertheless, there were certain parties who claimed that the Malaysian economy is in a bad shape due to the approach adopted by the Government. This claim truly demonstrated the naivety of the opposition parties. As usual, they were unable to differentiate between the good and the bad.

Their eyes were blinded by their political motives. But, as the Malay proverb says, *anjing menyalak bukit, bukit tidak akan runtuh*.

Therefore, the Barisan Nasional Government will continue to implement the Eighth Malaysia Plan, which is the first phase of the National Vision Policy. We believe that everything that has been planned and predicted by the Government will become a reality within the five-year period of the Eighth Malaysia Plan, Insyah-Allah.

The achievement of the Barisan Nasional Government in implementing the five-year plans is there for every one to see. We do not only plan. Indeed, we have implemented our plans successfully.

We remain confident that the Eighth Malaysia Plan will also be implemented successfully for the *rakyat* and Malaysia, Insyah-Allah.

Any efforts to obstruct the implementation of the Plan will ultimately fail as all Malaysians will defend it together with the Government.

Mr Speaker, Sir, with full confidence and consciousness, I beg to move.

*□ Text of speech by Prime Minister Datuk Seri Dr Mahathir Mohamad while tabling the Eighth Malaysia Plan 2001-2005 in Parliament yesterday.*