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Success of plan depends on strong economic fundamentals

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THE just-unveiled Eight Malaysia Plan (8MP), which represents the first phase of the 10-year Third Outline Perspective Plan (OPP3), will determine whether the economic tools are strong enough to steer the country towards realising the objectives of Vision 2020.

The thrust of the plan, which focuses on stepping up productivity, sustainable growth and the creation of a united and just society, can only be realised if there are concerted efforts and multiple coordinations from all the parties involved.

If a significant success is to be achieved by 2005, the plan, then, has to be practically implemented, macroeconomically sanctioned and professionally discharged.

Thus, strengthening economic resilience, to face the mounting pressure of trade liberalisation and globalisation, will be a major focus.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in tabling the 8MP at the Dewan Rakyat yesterday, said the plan placed a greater focus on private sector initiatives. Simultaneously, the public sector would undertake a facilitating role through the provision of a conducive institutional framework and quality service.

This is vital to move and activate the economy. As the private sector's role in developing the country is an undeniable fact, the public sector should come up with new or improved strategies to ensure smooth implementation of various projects, including those privatized.

The country cannot afford to blunder as what happened in neighbouring countries where corporate governance was given little priority, while their economic fundamentals fall prey to over-zealous executions.

In Indonesia, for instance, ever since the collapse of its economy in 1997 amid the financial crisis, nothing seemed to have worked for the archipelago.

This has prompted the World Bank and other international financial institutions to pump in at least US\$20 billion (US\$1 = RM3.80) into the country to help stimulate the economy.

In December, the International Monetary Fund (IMF) suspended the disbursement of US\$400 million in loans because of disputes resulting from patchy reform record. The IMF's current lending programme totals US\$5 billion.

In Thailand, the Government has ordered state agencies to slash spending on projects that relied on imports in a bid to reinvegorate the fragile domestic economy.

The plan is intended to offset a growing trade deficit that could wreak havoc on Thailand's export-led economy, which is still suffering the effects of the economic slowdown.

In the Philippines, President Gloria Macapagal Arroyo's government faces an uphill task unravelling a web of corruption in bureaucracy, and confronting urgent infrastructural inadequacies and structural problems.

But, Malaysia is different. Strong fundamentals, political stability and with a free-of-the-IMF-package economy the country will wade through less choppy waters.

The Government has also laid out nine key strategies to address the challenges ahead, namely, maintaining macroeconomic stability, eradicate poverty and restructure the society, enhance productivity-driven growth, increase competitiveness in key economic sectors, expand the usage of

information and communications technology, to enhance human resource development, achieve sustainable development, enhance the quality of life, and strengthen moral and ethical values.

In efforts to pursue stronger macroeconomic management, the Government will continue to aim for rapid economic growth with low inflation and sustainable budgetary and external accounts.

And similarly, in ensuring a prudent fiscal and monetary policies, the Government will continue its prudent fiscal policy to ensure long-term sustainability and a manageable debt service ratio.

Even the tax system and the administration of it will be further strengthened to generate revenue and promote greater economic efficiency and productivity, while the monetary policy will reinforce the fiscal policy in promoting long-term sustainable growth.

To encourage the growth of small- and medium-sized industries as an important supporting agent for the private sector's growth, they will be encouraged to raise the quality of investment and expand into higher value-added activities.

New methods will be introduced to increase their knowledge utilisation in their operations and benchmark against international standards and practices in order to raise competitiveness and productivity.

As a strategy to achieve sustainable development, steps will be taken to identify prudent, cost-effective and appropriate management approaches that will yield multiple benefits in order to ensure a sustainable and resilient development.

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