

Malaysia making some progress in becoming knowledge-based economy

MALAYSIA has made some progress towards being a knowledge-based economy, but the bulk of the journey still lies ahead. And the Knowledge-Based Economy Master Plan, revealed yesterday in Kuala Lumpur, aims to catalyse new growth to further propel the nation into the K-economy.

Malaysia's journey towards a knowledge-based economy began with the launch of Vision 2020 in February 1991, followed by the National Information Technology Agenda (NITA) and the inception of the Multimedia Super Corridor (MSC).

The NITA aimed to foster the development of IT as a strategic enabler of dynamic economic growth, while the MSC was designed to be an engine of economic growth for the 21st century, and to become a "K-based economy within an economy".

In 2000, Prime Minister Datuk Seri Dr Mahathir Mohamad launched "Strategic Initiative One of the 21st Century", which called for a fundamental shift from a production-based economy to a knowledge-based economy.

For this purpose, the government commissioned the Institute of Strategic and International Studies (ISIS) Malaysia to develop a Master Plan under the guidance of a steering committee headed by the Ministry of Finance.

The Master Plan identified at least seven reasons why Malaysia should develop a K-economy.

● According to the World Competitiveness Report, Malaysia's international competitiveness has slipped from 18th place in 1994 to 29th in 2001. The trend has to be arrested. In contrast, Finland rose from 19th during the same period to 3rd since 1999, while Ireland rose from 21st to 7th. Both are recently developed K-based economies which were until lately performing extremely poorly.

● Malaysia is facing increasing competition for its produce from countries such as China, India, Vietnam and Indonesia, which enjoy cheaper labour and more abundant resources. Malaysia has to make the necessary adjustments and move into areas where it can have better comparative advantage and compet-

itiveness. **STAR 10 SEP 20**

● With globalisation and liberalisation, Malaysia will have to prospect for new products and services which are viable in the emerging global market.

● As costs, especially labour costs, climb, Malaysia will have to ensure even higher value is added to its products for its industries to remain viable.

● In the enduring search for higher profit and greater wealth, Malaysian companies have little choice but to move into the pre-production stage (product conceptualisation, research and design, prototyping etc) and post-production stage (packing, branding, marketing, retailing etc) of manufacturing, because there is less profit from the core production process. The pre and post-production stages also happen to be more knowledge-intensive.

● New sources of growth are required as old sources of growth become less productive. A K-based economy will provide some of these new sources of growth.

● The migration to the k-economy would greatly enhance Malaysia's ability to meet its total factor productivity (TFP) enhancement goals. TFP is vital as it reflects the increasing importance of knowledge, human capital, innovation and investments in information and communications technology (ICT) in the K-economy.

In a K-economy, knowledge is the most critical factor of production and generates more wealth than the other traditional factors of production, land, labour and capital. It is also a commodity in itself.

In South East Asia, Malaysia is best placed to make a successful transition into a K-based economy next to Singapore, and it would leverage on its strengths towards that goal.

Among other things, Malaysia possess strong government support and commitment, capacity for sustained action and carry-through reform, an open economy, rich biodiversity and a high proportion of high technology exports.

The government recognised that efficient transition to the knowledge-based economy would require the synergistic participation and contribution of all parties.