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PM: Malaysia needs more intangible assets

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KUALA LUMPUR: Malaysia needs to create more intangible assets if it is to retain its competitive edge.

Prime Minister Datuk Seri Najib Razak, speaking during the launch of the 1Malaysia Economic Conference here yesterday, said investment in these assets is extremely critical.

Citing a World Bank study, he said as much as 60 to 80 per cent of a country's wealth can be in the form of intangible assets like proprietary technologies, intellectual property, brand names and institutions.

"Look at the high-income countries. Their high-value industries and corporations have a high ratio of intangible investment," he said, adding that the government is in the process of streamlining institutions, policies and procedures to make things easier for investors.

However, Najib warned that giving freer rein to private initiative and market forces has important consequences.

He said subsidies for industries must be restructured and gradually phased out and greater domestic competition must occur.

"We may not be able to afford over-subsidised and under-priced energy."

He said the nurturing of infant industries must be done differently and based on skills, technology, access to capital

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and marketing support instead of on protection.

"The sooner we realise these new realities, the better it will be for all of us."

Najib identified three areas the country needs to improve on if it is to achieve Vision 2020, saying they are "so essential that there is no way we can achieve our ambitions without them".

The first component is human capital, the second private capital and the third social capital.

Najib said he was not referring exclusively to formal education — critical though it is — when talking about human capital.

"We need to view human capital in a more holistic and

comprehensive manner.

"Employers — both public and private — must also provide opportunities for their employees to acquire skills and core competencies."

Najib added that management and organisation systems and methods also need to meet the aspirations and expectations of employees.

The best organisations, he said, challenge their workers to give their best and provide the resources employees need to meet those challenges.

"We cannot merely seek command and control armies of order-takers. We must encourage creators, entrepreneurs and innovators at every level," he said, adding these people must be rewarded with wages comparable with that in other emerging countries.

He conceded that more rigorous efforts need to be made by the government to improve private capital.

"The results over the past decade have been below our potential, both on the domestic and on the foreign fronts.

"That is why I have made it one of my first priorities to pare away things that shackle private investors.

"I am fully aware that investors don't take kindly to policy reversals and I want to assure you that these efforts will continue under my administration."

Social capital, he said, is simply anything that draws disparate communities together, builds goodwill, trust

and confidence among them and promotes cooperation and partnership.

"In other words, social capital builds relationships. It is the cement that holds this nation together. It is what makes for a vibrant and dynamic 1Malaysia."

Najib said the coming years would be critical ones as Malaysia would not only have to deal with much-needed domestic economic transformation, but also a multitude of challenges from the regional and international environment.

One of these challenges, he said, is the full implementation of the China-Asean Free Trade Area (Cafta) that started at the beginning of the year.

"Cafta will challenge all Asean economies to structurally adjust and adapt, and Malaysia is no different.

"The private sector will need to raise its game in terms of being more efficient and to hone its ability to exploit the opportunities presented."

Najib said industry players had to understand that complaints and demands to be shielded from competition will get them nowhere.

"Whether or not we like it, the global environment has changed fundamentally and unalterably.

"If Malaysians do not do what is necessary to survive and thrive, and do it faster and better, we run the risk of being left out and left behind by others who will."