



A hydro electric station, generating electricity cheaply and cleanly.

With Vision 2020's NDP

Malaysia Responding to Changing Global Trade

Vision 2020 provides the national agenda for the attainment of the status of a fully developed nation by the year 2020. The National Development Policy (NDP), embodied in the Second outline Perspective Plan (OPP2), 1991-2000, sets the pace towards the achievement of the Vision. The thrust of the NDP is balanced development with emphasis on growth with equity.

Within the framework of this policy, strategies are aimed at attaining macro-economic growth with stability, developing human resources, promoting technological capabilities, protecting the environment and ecology, and inculcating positive values as well as reducing structural imbalances among sectors and regions in order to strengthen the linkages in the economy. The pursuit of such policies during the review period, 1991-93 provided the economy with a strong foundation to achieve balanced development and to face greater challenges.

During the first three years of the Sixth Malaysia Plan, the Malaysian economy grew at an impressive rate of 8.1 per cent per annum, thus making Malaysia one of the fastest growing economies in the region despite the overall slowdown in the world economy.

This reflects the increasing strength and resilience of the economy, resulting from rapid structural transformation

and an improvement in international competitiveness. This was achieved through appropriate policy adaptation as well as pragmatic economic and prudent financial management, facilitated by continued political stability and national unity.

This growth momentum is expected to continue into the remaining years of the Plan and contribute to a higher standard of living and quality of life. The strong growth together with programs to redress poverty and restructure society will further reduce the socio-economic imbalances between and within groups and regions in the country.

The world trading system is becoming more global with rapid advancements in transport, communications and information technologies. A successful completion of the Uruguay Round of General Agreement on Tariffs and Trade (GATT) negotiations will further integrate world economies and expand world trade in goods and services.

However, there is also a growing trend towards regionalism with the creation of trade blocs such as the EC and NAFTA. The future policy stance of these blocs is still uncertain. If these blocs adopt a liberal approach to trade within and outside their blocs, it will help to further expand trade but if these blocs are inward looking, it may stifle the growth of world trade.

Malaysia, being an open economy,

will have to respond appropriately and expeditiously to the changing patterns in global trade. The trading and investment environment will certainly become increasingly competitive.

Hence, the private sector, being the engine of growth, will have to develop competitive industries as well as acquire the ability to adjust to the international product life cycle and the dynamic changes in international competitive advantage. Malaysian corporations will also have to actively seek opportunities abroad by establishing new trade networks with foreign partners, especially within regional trade blocs, to facilitate the entry into foreign markets.

The Government will continue with its liberal trade policy including the enhancement of intra-regional cooperation. Intra-regional cooperation within ASEAN through the ASEAN Free Trade Area (AFTA) and within the East Asian region through the East Asia Economic Caucus (EAEC) will have to be strengthened. The EAEC, a loose consultative forum for countries in East Asia to discuss issues of common interest, especially in areas of trade, will promote multilateral trade and open trade practices in East Asia through the market- and business-driven route rather than formal regional blocs.

The growth in intra-regional trade in the region has expanded rapidly in the absence of any formal trading regime. Greater intra-regional cooperation through EAEC and AFTA will enhance the dynamism of this region by promoting an open and free global trading system so that trade, portfolio and capital flows as well as foreign investment and technology can flow freely in the various regions.

For the ASEAN region, the creation

of subregional cooperation among neighboring countries, through the creation of growth triangles and the establishment of other forms of cooperation, will expand opportunities for further trade and investment relationships. Several projects for private sector participation in the Northern, Southern and Eastern Triangles will accelerate the development of the respective subregions.

Increasing international competitiveness will demand closer links between the Government and the private sector to design the national economic strategies necessary to safeguard competitiveness. With globalization of business, natural resources have become less critical in the competitive equation because of availability of global sourcing.

At the same time, competition for capital investments has become intense. Thus, improvements in national competitiveness will have to increasingly depend on higher contribution from total factor productivity. In addition to ensuring the optimal mix in the use of capital and labour, the other productivity determinants such as education, training, experience, technology and discipline of the workforce are also important in increasing national competitiveness.

Skilled and trainable manpower will be vital in improving competitiveness through the application of technology and in the creation of new technologies. With a rise in productivity growth, the overall impact is to improve the unit

labor cost in production, thereby helping to keep prices competitive.

Overall performance of industries will result in greater access to world markets and offer quality goods and services at reasonable prices in the domestic market. Productivity increase will, therefore, contribute to the growth of the national products, increase the standard of living and further sharpen the competitive edge of industries.

Efforts to increase productivity require good working relationships between employers and the unions. The unions have an important role to play in keeping wage increases in line with productivity improvements and, hence, contribute towards improving the competitiveness of Malaysian products in the world market.

Therefore, the unions in collaboration with employers must educate the workers on the need to increase productivity and prevent unreasonable demands for wage increases which lead to inflation and reduction in the standard of living of workers.

Malaysia has striven to develop an efficient and modern capital market in order to meet the enlarged funding requirements of investment with cost and returns satisfactory to both users and providers. With deliberate reform and consolidation efforts, the market has recorded remarkable growth in tandem with the rapid expansion and changing structure of the

economy.

While the banking system, the stock market and the Government securities market have improved further in terms of scope and depth, efforts have been made to develop the private debt securities (PDS) and derivatives markets as alternative sources of funding for investment and hedging, respectively. In addition, the development of the Labuan International Offshore Financial Center (IOFC) will further enhance the attractiveness of Malaysia as an investment center.

During the period under review, a significant development is the establishment of a single regulatory authority, the Securities Commission (SC), with the objective of promoting an orderly and healthy securities market. In addition, the setting up of the Central Depository System (CDS) will improve the operation of the KLSE through scripless trading arrangements that will increase trading orders handling capacity and improve the accuracy and timeliness of information.

During the review period, market capitalization of KLSE increased significantly making the local bourse the largest in the ASEAN region as well as one of the ten largest in the world. In addition, the Futures Industry Act which will pave the way for the operation of the Kuala Lumpur Options and Financial Future Exchange and the Kuala Lumpur Futures Market will provide for a rapid development of the futures markets. ★