

**THE NATIONAL CONVENTION ON THE SEVENTH MALAYSIA PLAN, 1996-2000** THE ISTANA HOTEL, KUALA LUMPUR, 5 AUGUST 1996

I would like to thank the Malaysian Economic Association for inviting me here this morning to officiate the opening of the National Convention on the Seventh Malaysia Plan.

2. Malaysia is neither a Communist nor a Socialist country. It has always been a market economy. Yet Malaysia believes in economic planning, something which the Communists espoused and practised religiously, if one can say such a thing about Communists. We know now that despite their five-year plans, the Communists failed and had to abandon Marxist economic theory in favour of the market economy.

3. I think you will agree with me that Malaysia has not failed. Indeed Malaysia's five-year plans, long term perspective plans and sectoral plans have all contributed towards Malaysia's high economic growth rates. They have even contributed towards solving social and political problems. What we may well ask is the difference between Malaysia's plans and those of many others, Communist and non-Communists.

4. The simple answer is that Malaysia has the political will and has acquired certain skills in implementing complex plans which theorists and planners draw up. Apart from having a powerful Economic Planning Unit located in the Prime Minister's Department, we also have an Implementation Coordination Unit, likewise located in the Prime Minister's Department.

5. Even with these departments there is no certainty the plans can be carried out. But they are fully supported by a committed Government which believes in hands-on involvement. Admittedly the Government has a vested interest to see that the plans are carried out. Their electorates can throw them out if they fail. Also the competing demands of the parties of the Barisan Nasional ensure that no one allows anyone else to steal a show over him. If any Minister fails, his own party will throw him out. And so the Government has to be committed always.

6. Another important factor is the strength of the Government. All projects are controversial. There will always be people who are against, who will be vociferous, while people who are for a proposed project usually remain quiet. Fear of losing the support of the vocal few often results in procrastination and sometimes abandonment of projects. When the Government is weak the fear is greater. And so plans often fail to be carried out.

7. In Malaysia, Governments have always been strong and plans are carried out despite opposition by the professional detractors. If we had succumbed to their loud protest today we would not have the Penang Bridge, the National Car, Privatisation, Toll Roads and many others. And if we had delayed these projects because of the professional objectors, the costs would be many times more and we probably would not be able to afford them. But we never learn. Many are still urging us not to do this or that, to listen to the voices of dissent and to heed them. We do listen but we must be able to distinguish true protests from those artificial ones instigated by people with other interests, usually political, locally and economic from abroad.

8. Malaysia's plan has worked. Not 100 percent of course but substantially. The five year plans worked. Even the affirmative action New Economic Policy worked despite the prophets of doom who insisted that it may be possible to have growth without equity or equity without growth. In the end we not only had growth with equity but we had high growth with low inflation.

9. As the targets of each plan are achieved, it becomes necessary to change targets or objectives in order to make the plans relevant. Planning is not planning if it only repeats what had been done before. Planning involves taking cognisance of the changes brought about by the successful implementation of previous plans and determining new targets and inventing new strategies and methods.

10. The Seventh Malaysia Plan is, more than any previous plans, a strategy and objective changing plan. The changes brought by previous plans have been so radical that practically everything about the Seventh Malaysia Plan must be different and novel.

11. We had changed course before, of course. When the objective of import substitution manufacturing was achieved, we decided to go into exports. When in 1985 foreign investments were not coming in we ignored local participation and went for job creation instead.

12. Today we have full employment. Obviously we don't want labour intensive industries any more. Yet we have to grow economically. We can do so by importing labour. But the income of our people will not increase despite eight percent growth yearly. We want to grow economically while the incomes of our workers also grow.

13. It would be suicidal to increase wages without increasing output or value added. If we do not want to commit economic

suicide then our workers will have to work harder or they will have to acquire more skills so as to increase productivity. What applies to workers, applies also to the executives. If they want more pay then they have to work harder to improve their skills, whatever these may be.

14. And so the Seventh Malaysia Plan puts a premium on education and skills training. The Education Act has been amended and new approaches worked out. Private universities and twinning of universities with foreign institutions are now allowed. Major utility corporations have been asked to upgrade their training facilities to university status. More institutions for skills training will be set up by both the Government and the private sector. Less students will be sent abroad in order to make funds available for more students to study locally and to conserve foreign exchange. All these and many more facilities will help increase the level of skills and qualifications, particularly in science and technology among our workforce.

15. But what about working hard? All the knowledge and skills would come to nothing or to very little if they are not thoroughly applied. In the course of formulating the education policy, attention had been drawn to the need to develop the right work ethics and the attitude towards work. Hard work remains the sine qua non of success in every field of human endeavour. The successful people and nations of the world have all been known for their dedication to hard work. If the Seventh Malaysia Plan is to succeed, Malaysians must become workaholics. There is nothing wrong about working hard. Working for pay is more honourable than begging. Working very hard for more pay is even more honourable. Malaysians must avoid and regard with distaste the attitude that the world or the community owes us a living. They owe us nothing. We owe it to ourselves to earn an honest living.

16. Our full employment has made us dependent on imported labour. To switch to technology intensive industry does not only require skills but investment in high-tech industries as well. These are usually capital-intensive. There is no choice. We will have not only to discourage investment in labour intensive industries but we have actually to relocate them to other countries.

17. This will be painful not just to the existing industries but to the workers as well. It is easier of course to demand to be paid more for doing the same work. But sooner or later we will become uncompetitive. Our workers may actually lose their jobs. Rather than wait, both owners and investors as well as workers must accept change now. While the workers have to be retrained in order to do not only mechanical repetitive

work, but also work that requires intelligence and decision making, the industrialists must upgrade their machinery, automate and robotise or start entirely new non-labour intensive industries.

18. We had moved from import substitution to industries which created employment. Now we must not only automate but we want more and more industries to be Malaysian-owned and to produce sophisticated products for exports. The present industries, owned largely by foreigners, tend to be value-added operations. Partly processed components are imported and processed for export, some in the form of semi-finished parts while others into the final products. This means imports have to grow as exports increase. While it helps when exports grow, the margin is not enough to help reduce the balance of payment.

19. We need to produce every part of the component or the final product in the country. That way, increases in exports need not result in similar increases in imports. There will still be imports but these will be largely low-value raw materials.

20. Foreign companies can do this. But if we have more local companies manufacturing for exports, not only will export earnings stay in the country but leakages would be minimal. The balance of payment will be reduced more or will be actually reversed.

21. Since the Seventh Malaysia Plan has been launched during a period when there is a large deficit in the balance of payment, the Plan is also designed to overcome this problem. Some say that the way to reduce the balance of payment is to reduce growth. This is only true if the growth is due to massive spending on projects which need foreign inputs in materials, equipment, consultancies and experts. But mere reduction in growth will only reduce the balance but not reverse it. Deficits of the past would remain.

22. The worse thing to do is to try and stifle growth by increasing interest rates. It would certainly reduce spending but new investments even in manufacturing for export will be reduced and foreign money might flow in to take advantage of high interests. It is far better to raise import duty if this can be done.

23. The balance of payment deficit by definition is the result of excess of imports over exports, whether products or services. The simple answer to it must surely be to reduce imports and increase exports.

24. Imports should be reduced through close Government monitoring and voluntary restraint. If this is not possible, restrictions on the import of certain non-essential goods will be imposed through quotas and import permits. On the other hand, exports would have to be positively encouraged, especially locally-owned manufactured exports. The government will look into this and ensure that loans for such businesses remain cheap.

25. To increase local content and to enable local companies to manufacture our own branded goods, the Government will actively support Research and Development. The budget for this will be increased in the Seventh Malaysia Plan. But local research and development will receive favourable treatment by the Government. We must be more interested in applied research at this point in time.

26. Recruitment of Malaysians working abroad in R & D and employment of foreign researchers will be facilitated. The Government Technology Park is now almost fully-booked. The private sector should go into such parks even as they went into the development of industrial parks which were also initiated by the Government. The results of researches and pioneer industries in the Technology Park have been very encouraging. Truly new technological firsts have been achieved particularly in micro-electronics. Patent rights will now be of concern to Malaysians in a way that it had not been before.

27. The Seventh Malaysia Plan has been launched when the world is undergoing a transition from the Industrial Age to the Information Age. This is much talked about but how the information can be utilised for the economic development and well-being of the people is not too clear to many of us. But there can be no doubt that the Information Age will have an impact on us. Whether it is to our good or not will be determined largely by us.

28. Information is not just news, the subject that is the responsibility of the Ministry of Information. News is still information that can be relevant to industry and economic activities. For example availability of news about floods and disasters worldwide will be useful for determining availability or demands for certain products and so for increasing or decreasing production of these items. Since the news can be in real time, quick reaction and response can mean business and profits.

29. But information on all kinds of scientific and technological data are now available to everyone through the Internet for example. And these data can reduce the lead which some countries or companies have on the production of certain

items. Information on the behaviour of material and the latest experimental results can also help put us at par with others who have been ahead of us. In manufacturing, information on the state of the production line, supplies for raw material or components, their quality, the results of tests on them, the comparative advantages they have as compared to other materials or components, the quality of the products and components of competitors, the prices, wholesale and retail, the overhead borne by competitors and a host of other information will determine the performance of the entity making use of the mass of information and analysing them.

30. Recently I visited the Kyrgyz Republic and Kazakhstan and found these seemingly remote countries quite different from what I had expected. These countries are truly beautiful, with resources of precious and base metals, minerals, oil and gas and chemicals, granite and marble which truly make them treasure houses of the world. It is amazing that countries which are so rich should remain quite unknown. Obviously what is lacking is information. Now that we have information we can see tremendous potential for investment and trade with these countries. Some of the information have already been put in the Internet and will no doubt be used by business people.

31. The Information Age does not mean there will be no industry producing goods. We cannot eat, wear or ride on information. But information will determine the performance of industries of the future; information that is abundant and very rich. Information will be available to everyone in many cases at no cost. The skills we need to develop is how to sieve through, analyse and apply this massive amount of information.

32. The Information Age will spawn new information industries with ever more sophisticated systems and hardware. The microchip will come into its own, with powers that defy the imagination. The production of these and many other building blocks of the information disseminating hardware will constitute truly new industries of the Information Age.

33. These are exciting times. The information-rich society will break the political and economic barriers erected by nations. The 'Borderless World' will become a reality. Protecting industries and the economic environment will no longer be easy. Even if the World Trade Organisation fails to break down national barriers, Information Technology will.

34. With the Seventh Malaysia Plan we move into the Information Age and the Borderless World. We have taken the first tentative step by launching the Multimedia Super Corridor. New laws tentatively called 'cyber laws' and new

attitudes toward the movement of knowledge workers into the country will have to be adopted. We really have no choice. Either we go with the changes in the way business is done or we will be left behind.

35. In the meantime we cannot neglect the basic needs of the people and the country. We may have to adopt new methods and technology but we cannot abandon the agricultural sector for example. We will still need food. But the peasant economy we had nurtured will have to give way to industrial agriculture. We have to adopt this because the workforce in the countryside is depleting even faster than in the urban areas. Land holdings must be amalgamated and operated as large farms run by trained managers very much like the large rubber estates. If we can do this with rubber and oil palm, I do not see why we cannot with rice, vegetable, fish farming and cattle rearing.

36. The tourist industry is a growth industry. It has not yet matured. We have not yet developed all the tourist potential and products that we have. Our air, rail, sea and land transport is still very primitive. Of course we cannot do all in the Seventh Malaysia Plan. But the beginning must be made. We have to upgrade our airports, cruise passenger terminals at our ports, modernise the train system and build more expressways. The private sector must be more active and optimistic. The tourists, both Malaysian and foreign, expect quality facilities. Low quality accommodation or recreational facilities will not draw clients. Besides, when we have very attractive locations it would be foolish to reduce earnings through poor facilities. On the other hand, we must always cater to locals who have a right to enjoy the beauty of our country whatever may be their income.

37. Touristic and other developments must never ignore the environment. It has been shown that preservation of the environment actually enhances the value and the potential earnings from the projects. Trees in particular must not be cut unless absolutely necessary. It may be necessary to require people who cut trees, whether from necessity or not, to plant at least two trees or more elsewhere.

38. The Seventh Malaysia Plan is of course a part of the process to achieve the status of a developed country by 2020. A developed country implies not just higher per capita income and living standard. To be truly developed, the culture must also be developed. While we want to preserve our culture, there are aspects of our culture which we would like to demolish. Among these is the habit of throwing rubbish all around us.

39. While we like to go to a place that is clean, as for example a picnic site in the park or forest, we leave rubbish strewn all around without caring for the feelings of other people who, like ourselves, would like to go to a clean place. We think that someone should be around to clean up after us. There can never be enough workers to clean up if the whole population scatter rubbish all over the country. The workers can only work at specified hours. If we dirty the place after they have just cleaned, others will have to suffer until the next day.

40. Malaysians are not developed where throwing rubbish around is concerned. If we become a developed country in 2020, we cannot have any pride of achievement if we have not discarded the habit of destroying our surroundings. We have to stop this habit, not gradually but right now, or we forfeit the right to be the so-called model for other developing countries.

41. Economic planning has become a part of our national life. We take planning as a matter of course, to be drawn up and to be implemented with varying degrees of success. But we must remind ourselves of the complexities of planning and the even more complex process of implementation.

42. The Seventh Malaysia Plan which you will be discussing is a relatively clear cut description of what we plan to carry out from 1996 to year 2000. Practically all the areas which need attention and which we plan to allocate funds and carry out developments have been dealt with. And in due time they will be implemented.

43. But economic plans do not get implemented in a vacuum. They need a certain set of attitudes and environmental situation. Although the planners assume that everyone should know this and how it interacts with the plan and its implementation, it is worthwhile to repeat and to explain the circumstances and the environment, both physical and mental, which must be in place. Indeed the meaning of this environment, in particular the changes and the new situations emerging have to be understood, not just by the planners and the implementors, but by the whole nation. If the nation, i.e. the people who are going to have a plan foisted on them expect to benefit from the Plan, they need to understand what it means and how it will affect them.

44. This little explanation which I have tried should go a little way to explain the environment of the plan to you and to the public at large. Hopefully it will help you in your discussions.

45. On this note, I have great pleasure in declaring The National Convention on the Seventh Malaysia Plan open.