

## **Introducing The Motion To Table The Mid-Term Review Of The Eighth Malaysia Plan**

Parlimen, 30 October 2003

Most Gracious and Most

Merciful, with great pleasure I present before this distinguished House the following motion:

`That this House, recognising the creditable economic growth and achievement of our socioeconomic objectives despite being adversely affected by the volatile global economy during the first three years of the Eighth Malaysia Plan; acknowledging and endorsing the continuous efforts of the Government to achieve balanced and sustainable growth during the remaining Plan period, 2004-2005; approves the Mid-Term Review of the Eighth Malaysia Plan, which seeks to implement strategies and programmes and allocate funds designed to achieve the objectives and commitment of the National Vision Policy as set out in Command Paper Number 30 of 2003;

That in approving the Mid-Term Review, this distinguished House calls upon all Malaysians to strive with stronger determination and give continuing support to the Government to build Malaysia into a united, socially just, resilient and competitive nation.'

With your permission, Mr. Speaker, I now table the Mid-Term Review of the Eighth Malaysia Plan for deliberation by the Honourable Members of this distinguished House. This review is our way to ensure our plan is updated and will achieve its objectives.

### **Introduction**

Two months ago we joyously celebrated the forty-sixth anniversary of Merdeka. If we look back, we will realise that we have come a long way from that historic Saturday in 1957 when we freed ourselves from more than 446 years of colonial bondage. At that time, our country was poor with a per capita income of only US 300 dollars. The people did not really expect any development and certainly not a better quality of life. Many of the people and foreigners believed that the different races would be against each other and the Malays who were in the majority would seize power and oppress the others. With that the situation would become unstable and the country would regress developmentally. This kind of situation actually happened in many European colonies which became independent. Allah be praised, this expectation proved wrong. Malaysia

actually developed fast until it has become the most developed of the developing countries.

In forty-six years, from a country which depended only on rubber and tin, we have become an industrial nation and have gone on to become a sophisticated, information-based industrial nation. The per capita income has almost reached USD 4000, with a literacy rate of 94.1 percent. We have also produced 94,320 professionals, including 13,869 doctors, 41,747 engineers and 10,688 lawyers.

Poverty has been reduced from 52.4 percent in 1970 to 5.1 percent in 2002. About 92 percent of houses in the rural areas have been provided with electricity while 86 percent received water supply in 2003. Schools, clinics and roads are enjoyed by most of the people.

At the same time the people have gained confidence in themselves so much so that they now achieve world records such as climbing Mount Everest, sailing solo round the world, parachuting over the North Pole and swimming across the English Channel. Many world records are created such as pulling a 200 tonne train with the teeth.

Now Malaysia is well-known throughout the world and has become a model for other developing countries and the Muslim countries.

Our success is due to the new character and culture which have been instilled among the people. Malaysians are responsible, moderate and love peace and security. We are more ready to share than to take everything for ourselves. In other words Malaysians are not greedy.

We reject socialism which believes that if the Government takes over all businesses and industries, Government will get 100 percent of the profits and thus distribute them equally among the people. We do not seize the businesses and private property. We believe that if the private sector is given the opportunity and support, they are more likely to succeed and through paying more taxes which can be spent on the people.

Today the world has accepted the view that socialism cannot bring economic success to a country. Corporations and industries owned by Governments cannot achieve success. On the other hand the free market system is more likely to earn profits and to increase taxes paid to the Government. Actually at the time of independence the total budget of the Government was RM 1.0 billion or 19.5 percent of GDP. Today it is RM 112.5 billion or 29.2 percent of GDP. Clearly our choice of a regulated capitalist system is far better than to nationalise

all the businesses of the private sector as promoted by socialists.

In 1969 racial riots broke out. We were successful in putting an end to this outbreak but we also learnt a lot from it. The Coalition Government which was supported by all communities devised the New Economic Policy to distribute the wealth of the country in a fair manner among the different communities. Although we have not achieved our target but the fact is that the economic disparities between the races have been reduced. Actually the relationship between the different races is far better today than at any time in Malaysia's history. From owning only 2.4 percent of the wealth of the nation in 1970, the Bumiputeras today own 18.7 percent of a much bigger aggregate wealth i.e. from RM 126 million in 1970 to RM 73,162 million in 2002, 581 fold increase.

While the redistribution of wealth is being made the economy grew fast. If not for the attack by the rogue currency traders, the growth would achieve an average of seven percent per year. But although this target was not achieved, we still managed the recovery faster than others. In 2003 we will achieve 4.5 percent growth. At the same time our financial situation is sound. The external debt is 48.2 percent of GDP, lower than the level considered as safe. Our external reserves is also high at RM 159.4 billion or 41.9 billion US Dollar as at end October 2003. Our trade shows a surplus for 70 continuous months.

We are the 18th biggest trading nation in the world. Our total trade is twice the size of our GDP. As a trading nation we must ensure the world market. This is a difficult thing to handle because the wages of our workers are higher than our neighbours. Yet we want our workers to enjoy increasingly higher standards of living.

The earnings of the workers can be increased by increasing their productivity. This can be done by improving the skills and the knowledge of our workers. It can also be done through investments in more sophisticated systems and production machinery and through the use of automation and I.T.

More effective than a raise in wages is the increase in our purchasing power. Actually our Ringgit has the same purchasing power in our country as the American Dollar in America. This means that even though our earnings is low compared to wages in developed countries we can purchase goods and services three times more than the workers in the developed countries earning the same wages. Because our wages are low our production cost is also low and this makes our goods and services more competitive.

We will continue our cost of living through controlling prices and wages so that we can enjoy a good living standard while ensuring our exports remain competitive. It is no use to raise incomes if it will all be swallowed up by the increased cost of the goods and services that we buy. In other words increases in income which is followed by inflation are of no benefit. In addition the people who save will lose and the national economy will regress. Because of this our approach to handling our national economy and finances will be maintained.

### **Eighth Malaysia Plan**

In April 2001, I presented the Eighth Malaysia Plan to this distinguished House. The Eighth Plan sets out policies, strategies and programmes to achieve the National Vision Policy's objective of building a resilient and competitive nation. The focus of the Eighth Plan is to raise the level of development and generate sustainable growth so that all Malaysians can enjoy prosperity and a higher quality of life. Economic growth is promoted alongside efforts to narrow social, economic and regional imbalances. As the economy needs to move to higher value added activities, the strategy under the Plan is to shift from labour-intensive growth strategy to one that is knowledge-intensive. Human resource development and technology enhancement are given priority. The Eighth Plan emphasises the need for the private sector to be dynamic and to spearhead economic growth. The public sector is to continue to provide the institutional framework and infrastructure for a pro-business environment.

**Macroeconomic Performance** The first three years of the Eighth Plan period have been exceptionally challenging for Malaysia due to unforeseen circumstances. It began with the slowdown in the global economy caused by the downturn of the US economy and collapse in world electronics demand. This was aggravated by the September 11 incident in the US in the same year. After a short breather in 2002, the events in the first half of this year, particularly the invasion of Iraq and the outbreak of the Severe Acute Respiratory Syndrome (SARS) have again negatively affected economic recovery.

By the Grace of Allah, the Malaysian economy was able to recover with growth this year estimated at 4.5 percent. During the review period, 2001-2003, the economy continued to expand and registered a real Gross Domestic Product (GDP) growth of 3.0 per cent per annum even though the external factors and the large share of electrical and electronics goods, which accounts for around 70 per cent of manufactured exports, still prevails.

We should take pride that our per capita income rose by 2.4 per cent per annum from RM12,843 in 2001 to RM14,324 in 2003. Measured in terms of purchasing power parity, the improvement in per capita income would be more impressive, growing at an average rate of 3.9 per cent per annum to US\$9,380 in 2003. Growth was achieved in an environment of stable prices and low unemployment. The external trade position of the country was also strong as reflected by the sizeable surplus in the current account of the balance of payments every year. In addition, the fiscal deficit remained within prudent limits despite the increase in public expenditure as a result of the Government's pump-priming efforts. We also managed to reduce the incidence of poverty, provide better housing and basic amenities, particularly to those in the low-income group and improve the quality of life of all Malaysians.

To mitigate the impact of the global economic slowdown on the Malaysian economy, the Government introduced two fiscal stimulus packages in 2001 and the Package of New Strategies in May of this year. This contributed to the rapid expansion of public consumption by 12.1 per cent and public investment by 9.6 per cent. Private consumption also accelerated from 2.4 per cent in 2001 to 5.2 per cent in 2003. The growth in public sector demand and private consumption helped to offset the contraction in private investment. With the improving economic outlook, private investment has now turned around as evidenced by the growth in loans and private debt securities. Exports have also strengthened with inroads being made into non-traditional markets

During the review period, the economy experienced broad-based growth with increasing contribution coming from the services sector. Growth in the finance, insurance, real estate and business services was supported by increased collection of insurance premiums and bank lending activities. The transport and communications subsectors saw a strong expansion in air cargo and trade-related and transshipment activities undertaken in Port Klang and Port of Tanjung Pelepas (PTP). Earnings from travel, tourism and education rose from RM19.0 billion in 2000 to RM22.9 billion in 2003. Private institutions of higher learning attracted an increasing number of foreign students, particularly from China and Indonesia; and the private healthcare industry catered to a growing number of people from Brunei, Indonesia, Saudi Arabia and Singapore.

In the manufacturing sector, the domestic-oriented industries benefited from fiscal stimulus packages and low interest rates and became the main contributors to growth in the sector. The transport equipment, food processing, fabricated metal and construction-related industries recorded a strong performance. Among the export-oriented industries, the electronics industry

turned around in 2002 with the improvement in the global demand for semiconductors. The manufacturing sector progressed by moving up the value chain into high technology and knowledge-intensive activities as we can no longer compete in low-wage labour-intensive industries. The agriculture sector also improved as a result of the increased output of food crops, fisheries and livestock as well as better commodity prices.

During the review period the current account surplus was maintained and remains large. The narrowing deficit in the services account arising from the higher surplus in travel, which includes education, also contributed to the current account surplus. By the end of 2003, the current account surplus is expected to be about 10 per cent of GNP.

The expansionary fiscal stance of the Government aimed at cushioning the global economic slowdown and offsetting the lacklustre performance of the private sector resulted in a significant increase in operating and development expenditure. The control of Government deficit is more difficult. Clearly high Government expenditure cannot be continued. Expansionary packages can only be sustained for a short period. We cannot use expansionary packages as a way to create opportunities for those who regard them as windfalls. Having gained opportunities from the package, they must return to the usual opportunities.

### **Issues and Challenges**

Although we expect the global economic environment to improve during the remaining Plan period, we must be prepared to meet new challenges that will test our resilience, productivity, resourcefulness and innovative capabilities. The external environment, both politically as well as economically, will continue to be of key concern.

Although the invasion of Iraq was short and its immediate impact on the economy was limited, it is becoming apparent that it will have longer term implications. As we have witnessed, the invasion of Iraq has been followed by a series of attacks on the US interests and those of its allies in several parts of the world. This could be very destabilising for economies and could affect economic recovery. As we have seen previously, it is bound to shatter consumer and business confidence and dampen global trade and investment. The cost of doing business will inevitably increase due to added risks from these uncertainties. While we have to acknowledge that these developments are beyond our control, we need to continue to undertake measures to strengthen the resilience of the economy, so that we can withstand and mitigate the impact of

these external shocks, should they occur. While we acknowledge that globalisation can contribute towards increasing trade and capital flows across countries, its present interpretation will benefit the rich countries more because the stress is on free trade and not fair trade. The stress on competitiveness will also benefit their giant corporations.

We will try to change the globalisation agenda through the WTO but in the meantime we must prepare to compete in an inequitable environment. If Malaysians want to continue to succeed they have to find a niche where they can achieve world quality. They have also to improve their marketing skills so as to gain a place in the value chain.

We are also going to see increased competition from new players in the global market, including China and India. These economies are fast emerging as attractive centres for investment in the production of goods and services with high technology. Low wages, industrious work force and a big domestic market will give them competitive edge.

Malaysian businesses must identify areas which they must concentrate the efforts and capital to ensure our competitiveness would increase. But we must not again make the mistake of depending too much on a few businesses as we did before with rubber and tin.

### **Policy Focus of the Mid-Term Review**

The policy thrusts of the Third Outline Perspective Plan and the Eighth Plan will be continued to address these challenges. In addition, the Mid-term Review will build upon the Package of New Strategies introduced in May 2003, address critical problem areas and sources of vulnerabilities as well as tackle longer term and structural issues to restore the dynamism of the economy. With this, the policy focus of the Mid-Term Review will be to:

- reinforce macroeconomic fundamentals;
- bolster economic resilience to better withstand shocks;
- retool the economy to enhance its competitiveness;
- reactivate private investment in particular local sources to assume its role as the engine of growth;
- venture into new areas of growth;

- accelerate the transition from low technology and labour intensive economy to one that is high technology and knowledge-based;
- increase supply of quality human resources to meet the demands of an economy that is moving to higher value added activities;
- develop a more equitable society to ensure everyone benefits from development;
- promote an exemplary value system compatible with high achievement by all communities; and
- enhance international cooperation for prosperity.

### **Strengthening Macroeconomic Performance**

The Government will continue to pursue sound macroeconomic policies to ensure strong fundamentals, such as low inflation rate, adequate savings, healthy balance of payments, stable exchange rate and prudent fiscal position. In addition, efforts will be taken to strengthen economic resilience to enable the economy to withstand shocks, including by broadening the economic base, developing a more efficient financial sector and capital market as well as improving risk management and corporate governance.

The macroeconomic prospects for the next two years are expected to be promising. Real GDP is projected to grow at an average rate of 6.0 per cent per annum consistent with the long-term potential output of the economy. This rate of growth will put us back on track to realise the development targets set out in the National Vision Policy and Vision 2020. Based on this rate of growth, per capita Gross National Product (GNP) would increase by 4.4 per cent on average to RM15,600 and in terms of purchasing power parity will be faster at 5.5 per cent and will reach US\$10,400 in 2005.

Growth is expected to be supported by strong domestic demand and sustained growth of the world economy. Consistent with our policy of encouraging the private sector to spearhead economic growth, private demand will be the driving force of the Malaysian economy. We expect private investment to turn around and grow at about 12 per cent per annum in response to the improved domestic and external demand. Small- and medium-scale enterprises (SMEs) will be used as the catalyst to spur domestic investment. We would like to see SMEs playing a bigger role in the economy as in countries such as Japan, Taiwan and South Korea. To increase the dynamism of SMEs, concerted efforts will be made to upgrade their technological

capability, promote greater usage of information and communications technology (ICT) as well as increase their ability to innovate and develop new products with own brand names. Efforts will also be taken to improve the access of SMEs to financing, including customising the financing facilities to suit their needs.

While we will also continue to promote foreign direct investment (FDI) more attention will be paid to local sources of investments. Agriculture, especially cattle farming, goat rearing, fresh and marine aquaculture, mixed farming provide good potentials. Investors in these areas will be supported and given incentives especially those intended for export. Similarly with metal fabrication and infrastructure skills exports. The Government will cooperate with Malaysian contractors to get and implement projects abroad.

Private consumption is expected to remain robust and grow at 7 per cent per annum basically driven by improving consumer confidence and increasing disposable income. The favourable fiscal and monetary policies, brighter employment prospects, recovery in external demand, better commodity prices and the positive wealth effect from a buoyant stock market will promote private consumption. Our policy to maintain low interest rates and increase accessibility to financing is also expected to increase demand for consumer durables.

The Government, however, will reduce the growth in public investment to a more sustainable level in the next two years commensurate with the expected recovery in private sector investment and the strong growth in public consumption.

With better prospects in world trade, Malaysia's exports are expected to increase and grow at 7.4 per cent per annum. Given the robust export performance, the surplus in the merchandise account that was sustained during the review period is expected to continue. The deficit in the services account will be reduced because of higher inflows from tourism, education, transport, finance, health and professional services. For the remaining Plan period, the current account is expected to remain in surplus at 10 per cent of GNP in 2005.

The manufacturing and services sectors will continue to be the major contributors to growth. The manufacturing sector is expected to return to the high growth path of 7.8 per cent per annum. Growth will result from the electronics and electrical subsector and the transport equipment subsector. The services sector is expected to grow at 6 per cent per annum, contributed mainly by the finance, insurance, real estate and business services; the wholesale and retail trade, hotels and

restaurants; and transport, storage and communications subsectors.

### **Enhancing Competitiveness and Resilience**

As I mentioned in the 2004 Budget speech, according to the World Competitiveness Yearbook 2003, Malaysia is now ranked as the fourth most competitive nation in the world among countries with a population of more than 20 million. This is a major improvement in the country's competitiveness ranking from its tenth position in 2001 and sixth position in 2002. In terms of economic performance, government efficiency, business efficiency, and infrastructure, Malaysia ranks among the top ten countries.

While we can compliment ourselves for this achievement, we cannot afford to feel comfortable and begin to rest on our laurels. We must bear in mind that we are a global trading nation and want to remain so in the true sense of the word. This is because a very high percentage of our exports and imports are due to foreign investors. Their contribution to our earnings is not as big as the size of their trade. Because of this we will stimulate and give emphasis to locally owned industries which contribute more towards the economic growth of the country. Our capabilities in industries have increased and become more sophisticated. We are now able to produce almost all the products we export and more than that, Japan, Korea and China bought or learnt foreign technology and have their own industries. And they succeeded. We can do the same. While we continue to encourage foreign direct investments, we have to try to increase local investments.

For this the Government will take initiatives to provide a more business-friendly environment which can help promote wealth creation. We will try to reduce the cost of doing business, review the incentive structure, improve the market and ensure the supply of manpower in keeping with the technology and needs of the market. We have also to improve the utilisation of the existing infrastructure much more to increase the skills and economic productivity in a wider area. Where necessary the Government will also provide new and up-to-date physical infrastructure.

As announced in the Package of New Strategies in May of this year, the Government is committed to reducing the regulatory burden and improving the delivery system. It will improve the facilitation of investment, fast track approvals at all levels of administration, streamline procedures, strengthen human resource capacity and capability, expand the use of ICT, ensure compliance to the client's charter as well as strengthen management integrity and governance.

Although we are committed to shifting from an input-driven growth strategy to a productivity-driven growth strategy, progress towards achieving this strategic shift will take time. During the review period, the contribution of total factor productivity (TFP) to GDP growth was 25.5 per cent while labour and capital inputs contributed the rest. It must be emphasised that in the medium to long-term, improvements in TFP are more important in driving sustained growth than higher investment rates.

A recent assessment of productivity at firm level found an enormous variation in productivity performance across industries. Higher TFP was recorded among firms that were large, technologically more advanced, involved in exporting and having foreign direct investment. It was also found that the firms with higher productivity grew faster. Firms should, therefore, give greater importance to increasing productivity and efficiency. They must upgrade their technological capability, innovate and undertake research and development (R&D), increase the application of ICT in their internal and external operations, reduce production cost and raise the quality of their product or service. Labour productivity will need to be increased through continuous skill upgrading as well as improving entrepreneurial and managerial skills. Firms will also need to migrate to a productivity-linked wage system.

### **Continuing Distribution Agenda**

Prior to the New Economic Policy, the incidence of poverty in Malaysia stood at 52.4 per cent in 1970. In fact, when I first presented the Mid-Term Review of the 4th Malaysia Plan in 1983, the incidence of poverty was still high at about 21 per cent. Now, I am pleased to report that the incidence of poverty has declined to 5.1 per cent in 2002 and we expect to totally eradicate poverty in 2005. As for household income, the mean household income of all Malaysians grew almost three fold from RM1,098 per month in 1983 to RM3,011 in 2002. This increase is not seen in any other country.

From these figures it is clear that the Government development plans have succeeded in achieving their objectives. But when poverty has been eradicated we have to raise the criteria for poverty so as to increase the income of those below this new level.

The Government will therefore intensify efforts by continuing the implementation of the Skim Pembangunan Kesejahteraan Rakyat (SPKR) through income-generating projects. But the people must complement this by acquiring skills and knowledge and by working harder and with determination. Among the

programmes that will be continued include Program Pembangunan Bersepadu Desa Terpencil, Program Pembangunan Minda Insan, Housing Assistance Programme and Skim ASB-Sejahtera.

A special household income survey is being undertaken to determine the state of poverty, income level and the quality of life of Bumiputera minority groups in Sabah and Sarawak. The first phase of the survey covering nine minority groups has been completed and it indicates that the incidence of poverty is highest among the Rungus, Sulu and Orang Sungei in Sabah and the Penan, Kenyah and Kajang in Sarawak. In the Peninsular the Orang Asli are among the poorest. Based on the findings the Government is formulating more focussed programmes to alleviate poverty and improve the quality of life of the people living in the interior and remote areas of Sabah and Sarawak and the Orang Asli in the Peninsular.

To complement the efforts of the Government in poverty eradication, the non - governmental organisations (NGOs) and the private sector should further expand their activities and coverage of their programmes in assisting the poor.

The most important thing is to create job opportunities, to provide education and training. Providing subsidies will erode self-confidence and undermine the creation of a resilient Malaysian society. The Government will reduce subsidies in phases.

The issue of income imbalance between and within ethnic groups, income groups, regions and states will also continue to be addressed. Presently the disparity in the income of the highest and the lowest paid in the Government has been reduced. At the time of independence the highest ranking officer of the Government was paid 78 times the salary of the lowest ranking employee. It is the same with the disparity in the pay of the highest and lowest in the private sector. Now the highest paid officer in the Government is only 29 times the salary of the lowest.

With regard to the restructuring of society, all ethnic groups recorded an increase in ownership of share capital during the review period. Bumiputera ownership of share capital based on par value increased from RM63.0 billion in 2000 to RM73.2 billion in 2002, recording a growth rate of 7.8 per cent per annum. However, Bumiputera share of equity decreased slightly from 18.9 per cent in 2000 to 18.7 per cent in 2002. Bumiputera companies are still too friable and are easily adversely affected by factors such as turmoil and low economic growth. Chinese ownership of share capital increased to RM159.8 billion in 2002, growing at 11.2 per cent per annum during the review period. Meanwhile, the Indian equity increased to

almost RM6.0 billion in 2002, with a growth rate of 7.6 per cent.

The Government is aware that efforts to increase Bumiputera equity ownership during the remaining Plan period will become more challenging particularly with globalisation and greater market liberalisation. Hence, more effort will be needed to provide opportunities to Bumiputera in selected sectors if the target of at least 30 per cent Bumiputera equity ownership by 2010 is to be met. Towards this end the Government will set up a new investment institution, Dana Harapan to attract and mobilise Bumiputera resources. This will enable the introduction of innovative unit trust products and further expand investment opportunities for Bumiputera. In addition, the Government will award at least 60 per cent of procurements and contract works in Government projects to responsible, competent and capable Bumiputera.

As part of our restructuring efforts, attention was also given to the restructuring of employment to ensure that the pattern of employment reflects the ethnic composition of the nation. We have noticed improvements in the participation of Bumiputera in the professional, managerial and other high-income occupations. In eight selected professional occupations, namely, accountants, architects, doctors, dentists, veterinary surgeons, engineers, surveyors and lawyers, the proportion of Bumiputera registered increased from 35.5 per cent in 2000 to 37.2 per cent in 2002.

Education and training will remain an important strategy to meet the employment restructuring objectives. Assistance will be given to qualified Bumiputera students to study in public and private institutions of higher learning, particularly in science, ICT and professional courses. Moral education and good values will be propagated so that a culture suited to achieving success will be developed and practised. Steps to increase non-Bumiputera participation in the public service will be continued, especially in professions in which they are not well represented, such as teaching, nursing, police and the armed forces. We note that non-Bumiputera are already well represented in other professions.

The Government will also continue to implement various programmes and provide support to develop a competitive and resilient Bumiputera Commercial and Industrial Community (BCIC). Packaged programmes such as the Vendor Development Programme, the Franchise Development Programme and the Venture Capital Scheme that emphasise quality management, efficiency and good business practices will be promoted to facilitate the development of BCIC.

## **Accelerating Transition to a Knowledge-Based and High Technology Economy**

Knowledge is becoming increasingly important for generating sustainable economic growth, maintaining competitiveness and transforming the way the administration, the industries and the individuals manage. We embarked on efforts to move from an input-driven to a knowledge and productivity-driven economy in the mid-1990s.

We started to lay the foundation for a knowledge-based economy with the formulation of the National IT Agenda and the establishment of the Multimedia Super Corridor. The Third Outline Perspective Plan in 2001 reiterated the Government's commitment to take a comprehensive approach to effect the transition to an information and knowledge-based economy. We went on to formulate the Knowledge-based Economy Master Plan in 2002 which includes all aspects that needed to be addressed to effect this transition including in the areas of human resource, physical and institutional infrastructure, science and technology capability as well as the issue of digital divide. The pressure to accelerate the process has now intensified as a result of increased global competition.

While Malaysia is already well poised to receive global knowledge, local inventiveness is still lagging. The innovative and technological capability of our industries is generally low. Many of our industries merely use existing or modified technology. The success of the rubber and palm oil industries resulting from research and development has not spread to the manufacturing industry. If the manufacturing industry continues to wait for inventions by other people, they will certainly be left behind and they will fail. The Government is committed to introduce appropriate incentives to promote and improve S&T and innovative capability so that more Malaysian firms can make the technological transition to become inventors.

This year the Government launched the Science and Technology Policy II so as to prepare the framework for this move. The policy introduces new dimensions and emphasises the strengthening of research and technological capacity and capability, commercialisation of research outputs, developing human resource, nurturing a culture of science, innovation and entrepreneurship as well as ensuring a greater diffusion and application of technology. To boost the commercialisation of R&D findings, measures will be taken to increase the rate of diffusion of research findings generated by public research institutions and universities as well as enhance public-private sector collaboration. I would like to urge the private sector to support government initiatives by investing in R&D

and to collaborate with institutions of higher learning and research institutes.

To ensure adequate supply of quality S&T human resource, high achievers among students will be encouraged to pursue studies in pure sciences, including at the post-graduate and post-doctoral levels. Additional scholarships and other forms of financial assistance will be provided for this purpose. We will also continue to relax procedures for the hiring of highly skilled foreign workers in technology intensive sectors.

Biotechnology has been identified as one of the key technologies that will contribute towards Malaysia's transformation to a developed nation by 2020. To support the development of the biotechnology industry in Malaysia, three interim laboratories have been established, namely, in the fields of genomics and molecular biology in UKM, agricultural biotechnology in MARDI and nutraceutical and pharmaceutical biotechnology in UPM. In addition, the strategic partnership with the Massachusetts Institute of Technology (MIT) under the Malaysian-MIT Biotechnology Partnership Programme will provide the foundation to spur the development of domestic R&D capability and capacity in biotechnology.

Malaysia holds great promise to be developed into a regional as well as global ICT and multimedia hub. During the review period, the Government has undertaken concerted efforts towards realising this goal. Policy adjustments have been made to liberalise and promote a competitive and dynamic environment for the healthy growth of the ICT and multimedia industries. These initiatives were successful in stimulating the growth of many advanced value-added services, including voice, data and text-based applications as well as the market for electronic-based contact and data centres in the country.

Our investments in ICT and high quality infrastructure have also increased the attractiveness of Malaysia as a preferred location for MNCs to set up operational headquarters, international procurement centres, regional distribution centres, integrated logistic centres, and R&D centres. To accelerate the development of Malaysia as an ICT hub during the review period, the National ICT Roadmap will be prepared while expanding telecommunications infrastructure.

The Multimedia Super Corridor, which was launched just seven years ago, has been successful in accelerating the development of ICT-related industries. At the end of August 2003, 919 companies have been awarded MSC status, including 59 world-class companies and 273 foreign-owned companies. The total

sales of MSC-status companies rose from RM3.93 billion last year to RM5.83 billion this year.

We have also put in place world-leading framework of cyberlaws and established Cyberjaya and Putrajaya as world-leading intelligent cities. During the seventh International Advisory Meeting held recently, the MSC received endorsement and praises from its members and they recognised that it has progressed beyond all expectations. During the second phase, which will last until 2010, the MSC will be linked to other global cybercities.

While the country forges ahead in ICT development, we have been conscious of the need to reduce the digital divide across locations and communities. This is to ensure that those in rural and remote areas do not lose out in this transformation process. The Government has intensified efforts to provide ICT facilities and Internet access to the underserved groups, including establishing 16 Internet Desa and 15 InfoDesa centres nationwide.

To intensify our efforts to bridge the digital divide, the National Framework on Digital Divide will be formulated to provide guidelines on project implementation and avoid redundancies. The mastery of English and the teaching of science and mathematics in English will contribute towards this objective.

### **Human Resource Development**

Human capital is the key to our future. Creating a globally competitive workforce is undoubtedly fundamental to enhancing competitiveness and attracting new investments. In this regard, human resource development will focus on three dimensions, namely, developing knowledge, acquiring skills and inculcating positive values. Developing highly educated and multi-skilled workers does not necessarily ensure higher productivity as it is equally important for workers to internalise good work ethics at all levels.

The success or failure of a nation is closely related to its culture including the totality of the values held and practised. As such the Government will endeavour to forge a Malaysian system of values that stresses positive attitude to work, discipline, diligence and a sense of responsibility. If these values are internalised, all Malaysian, be they in the rural or urban areas, or from whatever ethnic group, will be able to enjoy a better and more comfortable life.

Accordingly training and educational centres will include in their curriculum teaching of culture and its effects.

We recognise that Science and Mathematics are important in effecting technological change. Therefore, greater emphasis and prominence will be given to these subjects. Apart from using English as the medium of instruction, the teaching and learning of these subjects in schools will be made more interesting by using electronic course ware with local orientation and placing greater emphasis on practical work in science.

Our aim is to further improve the quality of the labour force. By 2010, about 35 per cent of the labour force will have tertiary level qualification, that is, double the present level of 17.1 per cent. The target set for 2010, is still low compared with the current levels achieved by some developed countries such as Japan at 36 per cent, the United States at 41 per cent, Ireland at 43 per cent and Finland 36 per cent.

To meet the increasing demand for tertiary education, especially in technical fields, besides expanding the capacity of existing universities, we have now established university colleges. These university colleges are focusing on engineering and technology related areas of study and are emphasising a hands-on experience using the experiential and action learning approach. We have found that the first batch of graduates from an university college were able to secure jobs quite easily.

As the capacity of the public sector is limited, the private sector must further expand its involvement in the provision of education and training. The reduced interest rate and revised repayment schedule of the Perbadanan Tabung Pendidikan Tinggi Nasional loan announced under the 2004 Budget will enable more qualified candidates to pursue tertiary education. An additional allocation of RM500 million has also been provided to the Skills Development Fund to enable more candidates to pursue skills training. The guidelines on the provision of loans have also been reviewed to ensure effective utilisation of the Fund.

The slowdown in economic growth during the review period has resulted in the increase in the number of unemployed graduates. To mitigate the situation and take advantage of the lull in the labour market, the government launched specific training programmes in 2001 to further enhance the knowledge and skills of these graduates. Under the Package of New Strategies and the 2004 Budget, additional funds for training and tax incentives on cost incurred by employers for hiring these graduates has been provided. To further enhance the employability of their graduates, tertiary institutions will intensify efforts to equip them with the necessary soft skills such as communication, team work and problem solving.

In almost every country fluency in English is regarded so important so much so that learning this language is given priority. If we wish to compete to get jobs, we too have to do so. Because of this the study of English, and science and mathematics will be stressed and taught in English. Mastery of other languages is also encouraged. In this age anyone wishing to succeed must be fluent in at least two languages.

Workplace training will be made an integral part of the training delivery system to ensure skills training are more market-oriented. The implementation of the dual training approach, adapted to the local context, will ensure skills and knowledge of workers are constantly updated to match the modern and sophisticated production processes utilised by firms. This training approach, which involves training at both the institution and the work place, will contribute to the increase in training opportunities for school leavers and workers.

Education has been identified as an export industry and important source of foreign exchange earning. In this regard, private institutions of higher learning should create their own niche areas in specific fields of study and leverage on the promotion of Malaysia as a regional centre of educational excellence. We will introduce appropriate measures to promote competition among local institutions of higher learning so that they emerge as premier and highly reputable universities at par with Cambridge in England, Harvard in America and Waseda in Japan. Four education promotion offices have been established to support private sector initiatives in getting foreign students.

### **Increasing Effectiveness of Public Sector Expenditure**

The Government will continue to adopt a prudent fiscal policy during the remaining Plan period. Fiscal discipline will be enhanced by applying strict cost control. This is to prevent cost escalation and ensure that development projects give returns commensurate with the value of money spent. The purpose of implementing development projects is to bring benefit to people. While it can give good profits to the contractors it should not cause a loss to the people as in the case of the science laboratories.

In this connection, the Government will not show leniency to contractors who fail to deliver their projects on time and in accordance with the agreed quality. The Government will not hesitate to terminate the contracts of these errant contractors, blacklist and prevent them from participating in future tenders. This will ensure that only those with good

track record, credible and able to deliver are given the chance to bid for Government contracts.

As a move to cap the rising cost of development projects, the Government has decided that there will no longer be direct negotiations for projects unless absolutely necessary and only in exceptional circumstances. Contracts for development projects will be awarded either based on open or restricted tenders, because there are now many good Bumiputera contractors and they must compete with each other. To control cost all projects must be referred to the Sub-Committee on Standards and Cost.

85. Projects will only be implemented on a fast track basis if time is of the essence. The number of projects that will be undertaken using this approach is expected to be reduced as we improve our planning capability and implement two year budgeting system. For projects undertaken using the design and build approach, we will now require separate consultants for the design and different contractors for the construction.

During the first three years of the Eighth Malaysia Plan, as I mentioned earlier, the Government was forced to take counter-cyclical measures to cushion the effects of the global economic slowdown and sluggish private sector activities. As a result of the expansionary fiscal stance, 99.3 per cent of the original Eighth Malaysia Plan development expenditure ceiling of RM110 billion would have been spent by the end of this year. The Government, therefore, intends to increase the development ceiling of the Eighth Plan by RM50 billion to RM160 billion. The increase means that for the next two years, the average development expenditure will be RM25.4 billion per year, that is, equivalent to the annual level of development expenditure prior to the economic slowdown.

During the review period, the fiscal deficit was maintained at 5.5 per cent of GDP. We were fortunate to have the fiscal flexibility to be able to adopt a proactive fiscal stance to soften the impact of adverse external conditions. This is because of our strong and prudent economic management. The Government will continue to maintain its deficit and debt within sustainable levels. The fiscal deficit is expected to decline to 1.8 per cent of GDP by the end of the Plan period.

To optimise growth that can be generated from the remaining allocation, in undertaking development projects, the Government will require that these projects maximise the use of local materials and components, thus reducing leakages from the economy. Projects that are selected will be those that bring maximum benefits and have strong linkages with the domestic economy so as to maximise the multiplier effect.

Of the total revised allocation of RM160 billion, more than 80 per cent is for the economic and social sector. Education and training will receive the highest allocation, accounting for 25 per cent of the total development expenditure. The health sector will receive 5.9 per cent, housing 3.9 per cent and local authorities and welfare services 5.0 per cent. The major portion of the allocation for the economic sector is for the development of infrastructure and utilities.

### **Enhancing Infrastructure to Support Economic Activity**

The development of infrastructure and utilities will continue to focus on enhancing accessibility to less developed, recreational and potential growth areas. During the review period, the Government expended RM10.79 billion for the building of roads and bridges projects. This included the Titi Karangan-Kupang section of the Second East-West Link Road and the Pos Blau-Kampung Kuala Betis section of the Simpang Pulai-Gua Musang-Kuala Betis Road. Several road upgrading projects were also completed such as the Brinchang Lojing Road, the Beaufort-Sindumin Road and the Betong- Kayu Malam Road. Consequently, the national road network increased by 2,140 km to 75,160 km.

During the remaining Plan period, additional funds will be allocated to expedite the completion of major road projects, including the Simpang Pulai-Gua Musang-Kuala Berang Road, Bentong-Kuala Lipis Road, Trans Eastern Kedah Hinterland Highway, Kuching-Serian Road, Nangoh- Kanibongan Road, Sepulut Kalabakan Road and Sipitang- Tenom Road.

During the review period, efficient traffic management systems were instituted to improve traffic flows in urban centres, including the Integrated Transport Information System in Kuala Lumpur and Klang Valley. In addition, various measures were taken to improve the efficiency, convenience and reliability of public transport as well as encourage its use. The Government also intensified efforts to create a more integrated, efficient and multimodal urban transport system. The number of passengers using light rail transit systems in Kuala Lumpur increased during the review period. In addition, the KL Monorail, which provides an 8.6 kilometre intra-city light rail network, commenced operations in August 2003.

For the remaining Plan period, the Government will give priority to ensure accessibility and seamless transfer between the various modes of public transport, especially in the Klang Valley. Multimodal public transportation will be enhanced with the operation of integrated transport terminals. Construction of integrated terminals at Bandar Tasik Selatan, Jalan Ipoh and Gombak at the fringes of Kuala Lumpur will commence. The

Sentul integrated Station will be built with private sector participation and the Putrajaya Monorail Line 1 will be completed. A Public Transport Authority will also be established to plan, coordinate and implement public transportation system in major cities as well as ferry and other riverine transportation.

During the review period, the Government focused on promoting increased usage of local ports, especially Port Klang and PTP by expanding capacity, upgrading and increasing facilities of ports as well as improving efficiency and productivity. Efforts were also taken to improve other supporting maritime-related services. A number of port related projects were completed, such as additional berths at PTP, new basin at Kuantan Port and additional container berths and yards at West Port. A third LNG jetty was completed at Bintulu Port. The Cabotage Policy was also reviewed with the aim of encouraging the use of local ships to ferry passengers and cargo between two or more destinations in the country.

For the remaining Plan period, the Government will intensify its efforts to promote Port Klang as a mega hub and distripark as well as PTP and Senai air and sea freight transshipment centres. At the same time, the Government will also enhance the safety of maritime navigation and reduce marine pollution by establishing a Malaysian Maritime Enforcement Agency. A maritime training centre will also be constructed at Pulau Indah, Port Klang to complement the Malaysian Maritime Academy. Other measures that will be implemented include the installation of the Automatic Identification System to monitor vessel movements in the Straits of Malacca.

During the review period, airport capacity was expanded with the commercial operation of two new airports in Tawau and Bintulu and completion of upgrading works on several existing airports. Flight safety was also enhanced with the installation of navigational aids.

During the remaining Plan period, the Government will continue to focus on measures to increase the usage of existing facilities, expand capacity in specific areas as well as improve the efficiency of services. Efforts will be intensified to promote KL International Airport (KLIA) as a regional aviation hub. This will include attracting more international airlines to KLIA as well as encouraging existing airlines to increase their frequency. In addition, the international airports of Kuching and Kota Kinabalu as well as airports in Labuan, Alor Setar, Pulau Pangkor and Melaka will be upgraded. A new airport will also be built in Pulau Tioman to support its development as a duty-free island resort.

In respect of rail transport, efforts were taken to improve quality, efficiency and safety to passenger and freight services during the Review period. During the remaining Plan period, the Rawang-Ipoh Double Tracking Project will be completed and this will reduce passenger train travel time from Kuala Lumpur to Ipoh from three and a half hours to two. The double tracking from Ipoh to Padang Besar and Seremban to Johor Bahru is also expected to begin before the end of the Plan period. Keretapi Tanah Melayu Berhad will further improve its freight service to enable it to become a major regional intermodal transporter with land, sea and air connectivity.

As for electricity, its generation capacity increased from 14,291 megawatt in 2000 to 18,562 megawatt in 2003. This was to meet the growth in peak demand. The rural electricity coverage also improved during the review period, with coverage for Sabah increasing from 67.1 per cent in 2000 to 69.8 per cent in 2003 and for Sarawak from 66.9 per cent to 77.3 per cent in 2003. For the remaining Plan period, the energy subsector will focus on ensuring sufficient and reliable supply of electricity as well as optimal fuel mix in power generation. The accumulated installed capacity is expected to increase to 20,267 megawatt by 2005. The rural electrification programme will be continued with the implementation of about 850 projects. This will increase the rural electricity coverage in Sabah to 72.8 per cent and in Sarawak to 80.8 per cent by the end of the Plan period.

During the review period, the Government also continued to take measures to ensure efficient management of water supply. Several source work projects including the Sungai Selangor Dam, Teluk Bahang/Batu Feringgi Water Supply Project in Pulau Pinang, Kuala Jelai Phase II and Sungai Terip Phase III water treatment plants in Negeri Sembilan were completed, increasing total national water production capacity by 12 per cent.

To ensure sustainability of water supply, the Government will undertake efforts to improve efficiency and rehabilitation of existing water supply systems, and construct new source works. For this purpose, the Federal Government with the agreement of the states will assume a more active role in planning, managing and coordinating water resource programmes in the country. The development of water resources will be undertaken with emphasis given to Integrated Water Resources Management. A management information system will be set up to integrate the databases of all water supply authorities. In addition, the construction of the Pahang-Selangor Interstate Raw Water Transfer will begin before the end of the Plan period. The multipurpose Beris Dam, in Kedah and the Jus Dam in Melaka will be completed in 2004 while the Chereh Dam in Pahang will be completed in 2005.

Development efforts in the sewerage subsector during the review period focused on improving services through the construction of new infrastructure as well as upgrading and rehabilitation of existing systems. Capital and refurbishment works were undertaken to improve the quality of effluent discharged into surface water bodies, thereby improving the environment. The capital development programme for sewerage will continue during the remaining Plan period. The construction works for Phase 1 of the National Sewerage Project will commence while the tendering process for Phase 2 will be initiated. The projects under Phase 1 will provide an additional sewerage treatment capacity of 979,000 population equivalent (PE) when completed in 2005. The Sanitation Commission will also be established to formulate economic and safety regulations to safeguard public interest and to promote the development of sewerage and solid waste management.

The country has come a long way in the development of its infrastructure, which is now almost at par with many developed countries. The installation, operation and maintenance of these facilities do not come free of charge. They come at a cost. This cost has to be paid either by the Government or the private sector. Truly the Government does not have the funds to build all the infrastructure for the people from taxes collected. If we wait until the Government has the funds, then it would take a long time for the infrastructure to be built. Because of this the private sector will have to invest. They will not invest unless they get a reasonable return. Users must therefore be prepared to pay a reasonable fee for the services rendered. Nevertheless the Government will support to the extent that it can. In fact the payment by Malaysian consumers is very much lower than is paid by consumers in other countries. For the good of everyone consumers must accept the concept of "user pays". It is grossly unfair if people who do not use are forced to pay through several taxes for the good of the users.

### **Developing New Sources of Growth in the Manufacturing Sector**

The manufacturing sector will continue to face new challenges arising from increased competition from emerging economies. Despite being adversely affected by external factors since the Asian financial crisis, this sector has remained critical to economic growth. In 2003, this sector will contribute about 30.6 per cent of GDP, 83.0 per cent of total exports and 27.8 per cent of total employment. The Government adopted various measures to minimise the adverse impact of external conditions on the sector through stimulus packages. The stimulus packages introduced during the review period assisted this sector by improving access to funding, providing tax incentives and enhancing human resource development. Funds for training and

retraining were established to raise the productivity and efficiency of the workforce.

Taking into consideration the external challenges, there is a need to strengthen the manufacturing sector and accelerate the shift to high technology and knowledge-based industries. With regard to this the Government will focus on reducing red tape, reviewing work processes and streamlining procedures, in order to create a business-friendly environment.

Several areas in the manufacturing sector have been identified as having potential to be developed into new sources of growth. The marine industry offers opportunities in building and repairing ships, boats, vessels, ferries, leisure crafts, yachts and the development of other ancillary industries. The machinery and equipment as well as the metal fabrication industry will also be further developed. The Bio-Valley project will be implemented to attract investment in biotechnology-related activities. The aerospace industry will be further developed with the implementation of the National Satellite Programme. The food-processing industry will focus on new market segments including convenience food, halal food and nutritional food in line with the changing lifestyle of consumers. Manufacturing-related services such as R&D, distribution, marketing, packaging, branding, designing and prototyping that are important to increase value added to the manufacturing products will also be promoted.

To increase industrial productivity, including SMEs, the Government will support the establishment of trading companies ala Japanese "sogo shoshas" to become the conduit for the marketing of Malaysian products abroad. Local companies must be prepared to pay a reasonable commission for this service, while the "sogo shoshas" should provide the best service to the markets and buyers abroad.

To raise the capacity and capability of SMEs, a broad range of programmes will continue to be implemented to ensure that they are reliable suppliers to lead companies and their worldwide operations. In line with the Small and Medium Industry Development Plan, SMEs will continue to be provided with financial, managerial and technical know-how. On their part, however, SMEs must give up their lackadaisical attitude of business-as-usual and take conscious steps to enhance their competitiveness and productivity.

### **Revitalising Agriculture**

The agriculture sector will be given a more important role in the national economy. The sector grew by 1.5 per cent during the review period as a result of increased output of palm oil

and food commodities. Agricultural export earnings rose by 26 per cent per annum from RM 23 billion in 2000 to RM29 billion in 2003 supported by the higher prices of primary and food commodities. The improvement in the export of food commodities was a result of increasing investments in large scale food production and improvements in quality undertaken in the context of the Ministry of Agriculture Incorporated approach. While the country has yet to reverse its position as a net food importer, it has achieved self-sufficiency in poultry and eggs and near sufficiency in fisheries.

In the next two years, the agriculture sector is expected to grow at a higher rate of 2.7 per cent per annum. The growth of this sector will be derived from the increased output of industrial crops, food production and the contribution from new activities.

Fish farming or aquaculture has been identified as having great growth potential. The Government will intensify efforts to develop new infrastructure, improvement in skills and technologies to promote modern aquaculture. This involves the breeding of a variety of marketable and highly demanded fish and crustaceans. To support commercial scale fish fry and related downstream fish farming activities, the Government will accelerate the implementation of the National Seedling Programme and Action Plan for Hatchery Development. In addition, the Government will provide support services to encourage investments in the tuna industry by establishing four Tuna Regional Development Centres in Johor, Pulau Pinang, Sabah and Labuan. Other activities that will be promoted include large-scale commercial cultivation of seaweed and production of ornamental fish.

The government will also intensify efforts to develop the potentials of biomass and biotechnology products for domestic and export markets. Programmes to develop speciality natural products such as herbs, spices and medicinal plants on an integrated and commercial basis will be accelerated. In addition, the National Botanical Garden project will be developed as a showcase for new investment opportunities in the agriculture sector, apart from being a recreational and tourist site.

In order to boost developments in the agriculture sector, more effective enabling technologies will be promoted. Among these will be the extensive use and applications of ICT related technologies and adoption of e-commerce. In this regard, the Agriculture Technology-Industry-Government-Electronic Revolution or the AgriTIGeR, aimed at enhancing productivity and increasing competitiveness in the agriculture sector, will be extended to more areas including Sabah and Sarawak. Under

AgriTiGeR, a cost-effective business-to-business supply chain management application and a portal called Agribazaar will be further developed. The Agribazaar will function as an exchange gateway for agricultural communities and traders to conduct online transactions.

Apart from sustaining Malaysia's competitiveness in palm oil vis-à-vis other oils and fats in the world market, efforts are underway to develop the country into a competitive food exporter. For this to be successful, it would need to be underpinned by the development of strong support services, including access to business-related information and efficient distribution channels.

The processing of local agricultural produce should be made into a big industry. There is a need for this sector to move up the value chain through greater utilisation of knowledge and high-technology.

Labour out migration from the agriculture sector has resulted in an aging agricultural workforce. To inject dynamism back into the sector, more technicians, professionals and entrepreneurs will be trained in modern agricultural practices and skills. The National Agricultural Training Centre will be entrusted to plan, coordinate and evaluate skill-training programmes. The provision of agricultural professionals such as soil scientists, microbiologists, biotechnologists and nutritionists will be addressed. This productivity improvements will be achieved by promoting greater mechanisation and automation, and adoption of labour-saving technology.

### **Venturing into New Sources of Growth in the Services Sector**

The services sector continued to expand at an average rate of 4.7 per cent during the review period. The strong growth was largely contributed by the transport, storage and communication subsector as well as the finance, insurance, real estate and business services subsector.

Education, tourism, Islamic finance, health, transport, professional and consultancy as well as ICT-related and manufacturing-related services will be further exploited to realise their full potential so that they can drive economic growth and contribute more significantly to export earnings. The growth of these service industries are poised to accelerate given that most of the related infrastructures are already in place. In an effort to promote these services, the Government will undertake more effective and coordinated promotion programmes.

Over the last few years, tourism has increasingly contributed to foreign exchange earnings and the growth of the other sectors. In 2001 and 2002, tourist arrivals surpassed the targets set. In 2001, the total number of tourist arrivals was 12.8 million, exceeding the target by 6.5 per cent. In the following year, the number of tourist arrivals increased to 13.3 million and exceeded the target by 10.8 per cent. Nevertheless because of the invasion of Iraq and the outbreak of SARS, tourist arrivals dropped by 31 per cent in the first half of this year. However, I am happy to note that in the past few months, we are already witnessing an upward trend in tourist arrivals.

To realise the full potential of the tourism industry, the Government will undertake measures to promote domestic and international tourism and intensify initiatives in tourism product development. Among others, education, health, sports, agro- and eco- tourism will be further developed to maximise the potential of the tourism industry. Malaysia's unique cultural heritage will be emphasised in the implementation of these measures. To promote cultural and natural heritage sites, efforts will be undertaken to include Taman Negara in Peninsular Malaysia, Niah Caves in Sarawak and the Maliau Basin in Sabah as well as the Historic Inner Cities of Melaka and Pulau Pinang as World Heritage Sites. Domestic tourism will also be intensified through attractive value-for-money packages in cooperation with the country's airlines. At the same time, workers in the tourism industry will be trained and equipped with the necessary skills to meet the varied demands and expectations of the tourists.

Marketing and promotional activities will concentrate on expanding the tourism market share by sustaining existing markets and developing newly identified markets. In this regard, we will send tourism promotion missions to markets such as the Middle East countries as well as China, India, Japan and United States. The unique selling points of the tourism industry will continue to be marketed based on the tag line "Malaysia Truly Asia". To further enhance the attractiveness of Malaysia as a shopping destination, entrepreneurs will be encouraged to increase efforts to obtain agency and dealership rights of new and emerging international consumer products and brand names. In addition, the possibility of establishing direct international flights from selected cities will be explored to facilitate access to duty free shopping destinations in the country.

As part of efforts to increase tourist arrivals, more event-related activities will be organised and quality tourism products and services provided, based on the uniqueness and strength of niche products. In addition, the Blue Flag and

Green Globe certifications will be introduced to tourist sites. The Blue Flag is awarded to beaches that meet international standards while the Green Globe certification is given to eco-tourism sites that adhere to environmental protection and improvement.

Eco-tourism, agro-tourism and rural tourism will be further developed to fully capitalise on the beautiful scenery, peaceful countryside and flora and fauna. Existing accommodation and attractions will be upgraded and new ones developed. In addition, the implementation of the "one district one industry" programme will increase the participation of local communities through handicraft industries and the supply of handcraft products for tourists.

To promote the cruise industry, we will continue to develop cruise centres in various parts of the country. Towards this end, marinas will be built at strategic locations such as in Pulau Pinang, Pulau Pangkor, Klang, Port Dickson, Melaka and Muar, and cruise terminals at Pulau Pinang and Melaka will be upgraded. This will allow cruise ships and leisure boats to sail to different sites of interest as well as enable tourists to engage in more activities and stay longer. In addition, existing jetties and passenger terminals will be upgraded to ensure comfort and safety of passengers especially in areas where riverine is the main means of transportation, as in Sabah and Sarawak.

The availability of a sophisticated and efficient health care delivery system, alternative therapies as well as an attractive natural environment has positioned Malaysia as an emerging health tourism centre. In this regard, special tour packages with health components will be introduced. To further promote edu-tourism, efforts will be undertaken to encourage private institutions of higher learning to improve education facilities and services, expand the curricula and enhance their teaching capabilities. Promotional efforts will be intensified to attract more foreign students to pursue their studies in Malaysia. As sports tourism offers vast potential in attracting tourists to the country, we will continue to hold sports events and promote new sports for this purpose.

### **Tourism**

As part of the efforts to encourage and finance tourism operators to provide various tourism-related products and services, the Government launched the Special Fund for Tourism and Infrastructure in October 2002 with an allocation of RM 400 million. In addition, the stimulus package announced on 21 May 2003 had increased the allocation for the Tourism Infrastructure Fund from RM 200 million to RM 700 million to

further enhance the effectiveness of tourism programmes. Among the tourism development strategies that will be pursued in the remaining Plan period include engaging in product development and promotion; enhancing human resource development in the tourism industry; and encouraging and facilitating domestic tourism.

### **Retail and Wholesale Businesses**

Strategic steps will be taken to accelerate the development of the retail and wholesale trade sector. Local institutions of higher learning will be encouraged to offer courses in distributive trade while the Government will conduct specific courses in retail trade at its skills development and training centres. At the same time, consumer education will be continued. The Consumer Claims Tribunal will be established in all states during the remaining Plan period. An agency dealing with the public as well as the service providers and traders will be established at the state level to address complaints filed by consumers against service providers and traders.

Fair trade practices policy and legislation will be formulated to promote healthy competition and prevent anti-competitive behaviour such as collusion, cartel, price-fixing and abuse of market power. This policy, while increasing productivity and efficiency, will promote the entry and participation of small enterprises into the distributive trade sector. The proposed policy and legislation will be implemented in stages.

Hypermarkets will be encouraged to work with local producers to source locally produced goods of high quality at competitive prices. This will also provide an avenue for domestic firms, particularly SMEs and handicraft producers to market their products domestically and overseas.

Bumiputera participation in the distributive trade sector will be enhanced by conducting training programmes on product quality standards, packaging, branding and marketing. This will ensure products produced will be of export quality and meet consumer demand. Further efforts will be undertaken to improve the programmes and activities of PROSPER. In this context, business plan workshops and business consultancy clinics will be conducted to assist, guide and provide strategic direction to participants to enhance the effectiveness of the programmes and activities of PROSPER. In this regard, the development of concept shops for lighting, laundry and dry cleaning, home decor, mini market, sports shop and automotive workshop for future replication will be considered for implementation. Whether all these will succeed depends on the willingness of Bumiputeras to participate in

this field. If they refuse then no one should complain why there are no Bumiputeras in the urban areas in Malaysia.

Since the introduction of Islamic banking twenty years ago, we have made great strides in expanding its market share of banking assets, deposits and financing, reflecting its increasing prominence, consistent with the Government's efforts to promote Islamic banking. This has given the clients, whether Muslim or non-Muslim to choose what system they prefer. At the end of June 2003, the market share of Islamic banking assets rose to 9.4 per cent of the total banking assets.

Islamic finance, including Islamic banking and capital market, will be developed as strategic niche market segments. We will introduce more competitive and innovative Islamic products as well as diversify the product base through the mobilisation of untapped Islamic assets. Initiatives will also be directed at developing mutually beneficial strategic alliances with other major Islamic capital markets to create opportunities for both Malaysia and its partners by enhancing the matching of the global pool of funding sources from Islamic communities with Syariah-compliant investment opportunities.

#### Sustainable Development

The path to sustainable living is a three fold process, one that promotes the economic vigour of the country to maintain higher living standards, another to ensure the promotion of social justice and cohesion, and finally a process that monitors and protects the environment to prevent degradation. Accordingly, we will continue to pursue sound management and development of our environment and natural resources in order to strengthen the long-term growth of the nation and achieve sustainable development. Sustainable development is an essential condition for long-term economic growth and lasting improvements in our quality of life. It may be seen as a need to create win-win-win opportunities to simultaneously achieve economic, social and environmental objectives.

It is also important to remember that it is not enough to improve the quality of people's lives today; we have to ensure that today's gains do not come at the expense of constrained opportunities for future development. Fortunately, as Malaysia built its economic foundations, the concern for the environment and sustainability was firmly rooted. Not only were a set of guiding principles established to maintain a healthy environment for human habitation, but also the need to preserve natural heritage and take into account the impact of population growth and industrialisation was clearly recognised. By the mid-1980s, environmental protection was

already a key factor in the equation for national progress. Among the many efforts to sustain both economic and environmental soundness were actions to minimise the impact of human activities related to deforestation, urbanisation and tourism; emphasising prevention through conservation instead of curative measures; and incorporating environmental planning in development projects.

The last decade has been characterised by the adoption of the concept of balanced development, where apart from economic growth, the protection of the environment and Malaysia's natural resource base was given prominence.

The rakyat, the private sector, NGOs and community-based organisations have a critical role in these efforts as partners and advocates, and in ensuring that the nation's environmental and natural resource goals are reached efficiently.

### **Improving Quality of Life**

A major yardstick in judging progress of a nation is the improving quality of life of the people. We in Malaysia recognise that the people have the right to benefit from development and the Government has the responsibility of ensuring the overall conditions for socio-economic growth.

We have concentrated our efforts in eradicating poverty, improving the condition of the lower-income group, providing opportunities for higher levels of income, investing in education, health, housing and other amenities, ensuring improved working conditions and protecting the environment. There is truly no reason for anyone to be poor in Malaysia. Whoever is prepared to seize the opportunity provided by the Government and God's abundant generosity should surely enjoy a good life and earn a good income. But if we ignore God's bounty and all the efforts of the Government then outsiders will enjoy all the benefits.

The Malaysian Quality of Life Index, a composite measurement based on 11 areas comprising 41 indicators, registered an upward trend. This shows that the quality of life of all Malaysians further improved in almost all aspects following the Government's continued efforts to implement programmes to increase income levels and improve the provision of and access to social services. But the Government will continue to ensure that all Malaysians enjoy the benefits of development through the provision of adequate and quality social services.

Health promotion and disease prevention programmes continued to be accorded high priority. The programmes take into account

the increasing affluence of society and its sedentary and stress-filled lifestyles and emphasised the promotion of a healthy lifestyle, better nutrition, immunisation, safe drinking water supply as well as food quality and safety. As part of the preventive and promotive health programme, the thematic lifestyle campaign focused on the practice of healthy behaviour and food safety. The coverage and scope of the childhood immunisation programme was further improved. The National Food Safety Policy and a Plan of Action were formulated to ensure the quality and safety of locally produced and imported food. The environmental health programme was also strengthened to ensure a safe and healthy environment.

The health programmes has resulted in the life expectancy at birth for males to improve from 70.3 years in 2001 to 70.5 in 2003 and that for females from 75.2 years to 75.4. The infant mortality rate improved further from 6.3 per thousand live-births in 2001 to 5.7 in 2003.

During the review period, the provision of urban and rural services was expanded to ensure that a greater proportion of the population had access to enhanced facilities for economic and social activities, and an improved living environment. Housing and other social services continued to be accorded priority. Measures were taken to increase accessibility to adequate, affordable and quality houses for all income groups. Priority was accorded to the development of low- and low medium-cost houses. The Government's Housing Loan Scheme was reviewed to enable the low-income group to own houses by increasing the amount of loan eligibility. But we must remember that it is not possible for everyone to own a house and they will continue to rent their houses.

A total of 615,000 units of houses was targeted to be built by both the public and private sectors during the Plan period. At the end of the review period, three quarters of the total units targeted for construction were completed. Of this total, 339,854 units or 73.6 per cent were built by the private sector and the balance by the public sector. In the low- and low- medium cost housing categories, a total of 177,253 units or 48.8 per cent of the target was completed.

The issue of solid waste collection and disposal is becoming increasingly important with the increase in population. The Government recently completed a study on a comprehensive approach towards solid waste management. In addition, the privatised solid waste management scheme was expanded with an additional nine local authorities being included for the interim collection of waste. A solid waste transfer station was built in Kuala Lumpur to enhance the implementation of an

integrated waste management system. In this regard, the National Campaign on Recycling was launched in 2001, and has been extended to 67 local authorities. To avoid living in a mountain of rubbish the cooperation of everyone is needed. The cost of treating waste must be borne by the Government and the people. If we wish to have the living standards of the developed nations we must accept a reasonable standard. Do not demand a standard that is higher than the developed countries while refusing to pay for the same.

Landscape development activities were intensified to provide additional leisure and recreational space and to beautify the environment. Local Authorities constructed 20 new public parks, while the 179 existing parks were upgraded. Landscaping master plans were also completed for six local authorities, namely, Johor Bharu, Kuantan, Labuan, Langkawi, Seremban and Shah Alam. During the review period, a million trees were also distributed to all states for planting to enhance greenery.

Government can provide the services and support. But in the end the people themselves will determine whether what is provided will benefit the people or not. It is for this reason that an awareness campaign entitled "Family First: Bring Your Heart Home" was launched at the national and state levels. To assist families in coping with the challenges and demands of daily living as well as to improve family life, the Government has approved the establishment of 29 Kompleks KASIH Keluarga. Recognising that the family forms a fundamental unit towards the development of a progressive and caring society, emphasis will continue to be given to strengthening the family unit.

The role of women has become wider because of their willingness to acquire knowledge and to work. But their role in bringing up their children is still important. Lately we have been witnessing moral collapse among school children. There may be other reasons but poor upbringing at home must be one of the reasons. Because many mothers work a way must be found for the mothers to still play a role in the upbringing of their children. Fathers too must play a role in this and must show good examples. We do not want to see the moral collapse in the west spread into our country.

### **National Unity and Patriotism**

Let me now move to an issue which is very important to us. Ours is a multi-ethnic nation and this can destabilise our social, political and economic environment and affect the development of our country. Incidentally there are not many opportunities for the different races to mix and interact to enable friendship to be formed. Their separation is increased by the activities of extremist groups. If this trend is not

dealt with the peace and well-being of the nation will be undermined. Because of this Government has introduced the vision schools which will have the National Schools, the Chinese schools and the Tamil schools on one campus, so that the students can participate in co-curriculum activities together. The Government will also undertake various initiatives to heighten the unity and understanding between the people of different communities, cultures and traditions.

The Government has initiated various measures such as Rukun Tetangga Programme for example to promote harmonious living and caring. The concept of Rukun Tetangga has been changed from neighbourhood watch to community outreach. Its scope has been expanded to include social outreach efforts that focused on specific target groups such as the disabled, single mothers and rehabilitated drug addicts with emphasis given to capacity building, thereby enabling the community to become self-reliant. Community empowerment through the involvement of more professionals, corporate citizens, government officers and pensioners is being encouraged.

Mega Unity Programme was launched in May 2003 to help bring communities together during the Unity Week. Additional programmes will be implemented to further enhance national integration between Peninsular Malaysia, Sabah and Sarawak.

In 2004 National Services will be introduced so that a number of Malaysian youths can be brought together and undergo military training and social service. We believe that the youth of different ethnic groups can live together, train together, serve together and play together. This will enable them to be exposed to their respective cultures and they will better understand the similarities and differences between them. With this there should be less misunderstanding and tension between them which can threaten the stability and progress of the country.

### **Conclusion**

The success or otherwise of a nation depends on the citizens of that nation. If the citizens are diligent, disciplined, in control of their feelings and are prepared to face challenges and overcome obstructions then that nation would be successful. The colour of the skin, racial heritage, or natural resources are not the most important factors, and certainly cannot determine success. What determines success is the culture or the value system which is accepted and practised. That is why different races living on the same country do not show the same success or failure. Sometimes their achievements are extremely different.

In an increasingly interdependent world we cannot be alone. We have to acknowledge that increasing competition will be a permanent feature, especially competition by countries with lower costs, which can erode our strength in our traditional fields. In an environment which is continuously changing, we have no other choice other than to increase our competitiveness, strengthen our resilience, and increase our productivity and creativity.

The private sector must venture into new markets. This requires a change in mindset from being comfortable with traditional markets and to one that regards the world as the market. We should make Malaysia the gateway for products and services from other parts of the world to the countries in this region. In competing for the global market, we have to ensure that our management practices are up to the highest standards and we must uncompromisingly benchmark ourselves against the world's best. We have to ensure that our products and services are of the highest quality and must be recognised by the world over as such. For this we need to brand our products. We would like to see more Malaysian branded products sold in overseas markets. We want Malaysian firms to give this aspect of marketing the utmost priority so that we can gain from being active participants in the global market.

We must never forget that national unity is our greatest asset. In fact, it is the only asset that makes it possible for us to enjoy the other assets that the Almighty has showered on this land in abundance. National unity in our multi-ethnic and multi-religious country can only be maintained and strengthened if there is a high level of understanding, tolerance and mutual respect amongst our diverse peoples. We have seen how many other multi-ethnic societies have failed because each race places its own interest first before the interest of the nation. If we are not careful we too will fail and be destroyed.

We have to constantly and tirelessly work to strengthen national unity and take immediate action to curb tendencies that could work against the national interest. No one should have a narrow view point and accuse the Government of trying to destroy the culture and language of any race. In reality it is only in Malaysia that the interests of all races are safeguarded and financed by the Government.

We must be prepared for any challenge that comes our way. The Government on its part will provide the leadership and the requisite resources. It will conduct extensive consultations in formulating strategies to face new challenges as, or even before, they arise. The people, on their part, must remain united and fully supportive of all measures that the

Government undertakes. It has been my pleasant experience during my tenure as Prime Minister to find all Malaysians rallying together in the face of a crisis. This uniquely Malaysian characteristic must be maintained at all costs and should never be sacrificed in the interest of expediency of parochial self-interest or political opportunism. As I retire from the nation's highest elected office, I call upon every Malaysian to rise to the occasion to face the challenges as they emerge and shoulder the responsibilities of citizenship. If we do this, there is no reason why we cannot continue to be successful and make this country a model for the world to emulate Malaysia Boleh.