

SPEECH BY: DATO' SERI DR. MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: TABLING OF THE SECOND OUTLINE PERSPECTIVE PLAN (OPP 2) (1991-2000)

VENUE: PARLIMEN

DATE: 17 JUN 1991

TIME:

Tuan Yang di-Pertua,

1. I beg to move the following motion standing in my name:

"That this House,
recognising the significant progress made in the socio-economic development of the nation during the last twenty years under the First Outline Perspective Plan 1971-1990 and the New Economic Policy;
acknowledging and endorsing the continuous efforts of the Government in implementing policies, strategies and programmes in order to achieve the objectives of the First Outline Perspective Plan through the New Economic Policy, that is to attain national unity as well as maintain a stable and sustainable development in an environment of stability, peace and security;
approves and endorses the Second Outline Perspective Plan, 1991-2000 and the New Development Policy which seek to provide respectively the development objectives of the nation and the policies that will be followed in the national effort to achieve the planned objectives for the next decade, as set out in Command Paper No 8 of 1991;

That in approving the Second Outline Perspective Plan and the New Development Policy, this House calls upon Malaysians from all walks of life to strive harder and prepare themselves to face the socio-economic and political challenges ahead, in the spirit of the Rukunegara, and stand united in our continuous efforts to build a socially just, progressive and resilient nation".

With your permission, I therefore, table the Second Outline Perspective Plan (OPP 2) (1991-2000) for deliberation by Honourable Members of this House.

Tuan Yang di-Pertua,

2. Today is a historic day for us. Malaysians have been waiting anxiously to know the successor to the New Economic Policy (NEP) which expired at the end of 1990. Indeed, the keen interest shown by Malaysians about the shape of our new policy indicates that we all have a keen sense of responsibility for the nation and we are concerned about our future and the future of the nation. This augurs well for the nation since ultimately it is the commitment of the people to our national goals that will ensure the success of the development efforts for our own benefit.

3. It has often been said in international circles that development plans in Malaysia are meant to be followed. In other words we take our plans very seriously. Many observers have also remarked that the objectives, targets and strategies that we set in our plans are well thought out, realistic and achievable and that, by and large, we have been successful in achieving what we set out to do. This was largely so with the OPP 1 and the NEP. God willing, we will continue to maintain this track record by improving further our capability to plan and to implement our plans by mobilising all the resources of the nation to achieve our objectives.

4. The racial riots of 1969 shocked us into realising the political and social imperatives of addressing and resolving the twin problems of poverty and racial socio-economic imbalances facing the nation at that time. Since the new generation of Malaysians are generally not aware of the events in 1969, it is necessary to remind them and also ourselves that in a multi-racial society like ours the existence of socio-economic imbalances along racial lines is not conducive to stability or national unity. Accordingly, efforts to perpetuate socio-economic imbalances along racial lines will only lead to instability and disunity in the country.

The New Economic Policy (NEP)

5. The launching of the NEP in 1970 marked the beginning of our efforts at socio-economic engineering designed to bring about a more equitable distribution of wealth between the different races and groups in the various strata of society. The main thrust of this socio-economic engineering was embodied in a two-pronged approach aimed at:

- (a) eradicating poverty irrespective of race; and
- (b) restructuring society to reduce the identification of race with economic function.

Within a span of two decades, we targeted that the incidence of poverty in Peninsular Malaysia should be reduced from 49.3 per cent to 16.7 per cent and that the ownership of share capital in the corporate sector should be restructured such that the share of Malays and other Bumiputera would increase from 2.4 per cent to at least 30 per cent while that of other Malaysians, from 34.3 per cent to 40 per cent. The foreigners were targeted to reduce their holdings from about 63.3 per cent to 30 per cent by 1990. Apart from these, we also agreed on the target that the employment pattern at all levels should reflect the racial composition of the population. We also resolved to undertake this socio-economic engineering exercise within the context of an expanding economy so that in the process of distributing the benefits of development, no ethnic group experiences a sense of absolute deprivation. It is pertinent to mention here that there have been many attempts in other parts of the world at socio-economic engineering. Almost without exception they have failed and they have caused untold misery and dragged down the economy of the nations involved. The objectives that we had set for ourselves in the OPP 1 and the NEP were

therefore fraught with all kinds of pitfalls and dangers.

Tuan Yang di-Pertua,
Macro Economic Progress

6. Let me now briefly deal with the progress we have made during the last two decades in implementing the NEP.

7. Since 1970, Malaysia achieved a rapid and sustained growth. The real GDP growth averaged 6.7 per cent per annum during 1971 - 1990 period despite the effects of a very severe recession in the mid-1980's.

8. The impetus for the rapid rate of growth achieved during the decade of the 70's came as a result of a high level of public sector involvement in the economy. Such a high public sector profile arose from the need to continue with the social and physical infrastructure development begun since independence. It also arose because of the overriding need to achieve the objectives of the NEP in the face of a comparatively underdeveloped private sector. As a result, public sector investment as a proportion of total investment increased steadily from 32 per cent in 1970 to a peak of 50 per cent by 1982. Despite improvements in the domestic savings rate, the increasingly high level of such investments had to be financed by external debt.

9. While we have been successful in achieving the growth targets and in meeting many of the country's socio-economic goals, dependence on the public sector was found to be unsustainable. In addition, high public sector involvement in direct productive activities, especially by the Non-Financial Public Enterprises (NFPE) had not yielded the results that were expected of them. Indeed their performance in most instances was dismal, very much the way state-run enterprises in other countries disappointed their protagonists.

10. Our response to the serious problems of unsustainable deficits in the public sector budget and in the balance of payments took the form of sharp and painful adjustment measures undertaken from 1984 onwards. These included restraints on public sector expenditure, reduced public sector involvement in the economy as well as a reversal of the past practices of using public sector expenditure to boost demand and growth. In order to offset the declining role of public sector expenditure, steps were taken to stimulate private sector expenditure and investment and to make the private sector the engine of growth for the economy. A series of measures were undertaken to liberalise and deregulate the economy and to embark on privatisation of certain Government agencies and functions so as to reduce public expenditure and transfer it to the private sector while making the investment climate more attractive to them.

11. The new strategy to make the private sector the engine of growth was initially affected by world-wide recession. But with the improvement in the world economy, the strategy

enabled the Malaysian economy to recover strongly from 1987 onwards. In the last three years between 1988 - 1990, robust growth of higher than 9 per cent was recorded. Most recent estimates put the growth rate in 1990 at 10 per cent which, we believe, is among the highest rate recorded in the world for 1990. This was achieved despite the threats and instability posed by the Gulf crisis which occurred in the last quarter of 1990. Our greatest achievement is that we have restored fiscal and financial stability in the economy, strengthened the balance of payments and reduced the external debt burden considerably through prepayment. The economy has returned to a high growth path. With economic expansion, the unemployment rate has been reduced from 7.4 per cent in 1970 to 6 per cent in 1990, resulting in a tightening of the labour market and improvements in wage levels for the workers. The per capita income, in nominal terms has increased more than five fold from \$1,106 ringgit in 1970 to \$6,180 ringgit in 1990.

12. The recent progress of the economy exceeded all our expectations. In the manufacturing sector alone, total approved projects increased from \$9.1 billion ringgit in 1988 to \$28.2 billion ringgit in 1990, a three fold increase in three years. This shows the confidence investors, particularly foreign investors, have in the attractiveness of our economy as well as in our pragmatic policies. Manufactured exports and tourism earnings have shown a remarkable performance never achieved in the past. The inflows of export earnings and foreign capital were larger than ever experienced before, providing strength to the economy as well as enabling the country to maintain a satisfactory level of reserves, which is important for sustaining growth and keeping the inflation rate low.

Progress of NEP

13. There is general concensus in the country that very substantial progress has been made in eradicating poverty and that the achievements have been better than expected. The national incidence of poverty has declined from 52.4 per cent in 1970 to 17.1 per cent in 1990. In Peninsular Malaysia, the incidence of poverty declined to 15 per cent while in Sabah and Sarawak, it declined to 34.3 per cent and 21 per cent respectively. This reduction is a significant achievement by international standards although the poverty line of \$370 ringgit for 1990 is far above those used in many developing countries to define poverty. According to international institutions, such as the World Bank, we have been very generous with our definition. Obviously, if the poverty line income was lower, we will get a much lower level of poverty, as found by the estimates made by other institutions.

14. During the period of the last two decades, about 480,000 households in Peninsular Malaysia have been lifted out of poverty. Poverty is not a serious problem anymore in Peninsular Malaysia as it used to be in the 1970's, but in Sabah and Sarawak, although the incidence of poverty has de-

clined sharply, it is still high compared to Peninsular Malaysia.

15. With the progress in eradicating poverty, the mean monthly household income for the bottom 40 per cent of households in Peninsular Malaysia has increased from \$76 ringgit in 1970 to \$421 ringgit in 1990. The mean household income for the bottom 40 per cent of households in Sabah and Sarawak also showed an increase from \$68 ringgit to \$390 ringgit and \$74 ringgit to \$436 ringgit, respectively. In fact, the mean income of the bottom 40 per cent of households has been increasing at a faster rate than that of the middle and higher income groups, resulting in an improvement in income distribution.

16. The most important factor influencing the improvement in rural incomes and the reduction of income inequalities is the changing pattern of employment. With economic growth and the rapid expansion of the industrial sector, there are now more employment opportunities in the non-agricultural sectors. As a result, there has been a steady trend in the country for the rural poor to leave their traditional low income agricultural activities and move into higher paying employment in the manufacturing, construction and services sectors. Among most rural households today, traditional agriculture is no longer the only source of income because their children can now get other kinds of employment in the nearby cities and towns to supplement the family income. Clearly the structure of employment and the income sources of the people, especially those in the rural areas, have changed with economic growth.

17. The Government's rural development programmes have played a major role in enabling the poor to diversify their employment and sources of income. The most important of these programmes is, of course, education as it provides the capacity for the rural poor to take advantage of the growth opportunities in the country. By investing heavily in education, health, transport and communication in the rural areas, we have increased the mobility of the rural labour force and raised the capacity of youths to participate in the urban employment market and escape from the clutches of rural poverty.

18. We have also made much progress in restructuring the employment pattern so as to reflect more closely the racial composition of the country as envisaged in the targets set for the 1971 - 1990 period. In the last twenty years, the progress made by the Bumiputera in education and employment has been encouraging although there are still some major gaps and shortfalls. For example, the share of Bumiputera employment in manufacturing has increased substantially to 50.3 per cent by 1990 but this increase is concentrated in the lower and unskilled categories of employment. In terms of occupations, while their share in the professional and technical jobs is high, this is mostly due to their high share of employment in the nursing and teaching professions.

In professional occupations such as engineers, doctors and accountants, Bumiputera are still under-represented relative to their share of the population despite the efforts made to increase the output of Bumiputera graduates from the universities and colleges.

19. In the case of the non-Bumiputera, while all have benefited from the growth of employment, their share in certain sectors such as agriculture, land settlement and the government services has remained small in relation to their percentage of the population. As regards the Indians, their former disproportionately high share of employment in certain professional groups has been declining although in absolute terms they have increased. The Bumiputera in Sabah and Sarawak have also not benefited as much as the Bumiputera in Peninsular Malaysia from the growth of education, employment and income opportunities in the country. The Government is aware that the minority groups are lagging behind in certain areas and therefore their needs for more access to education and employment opportunities will be given greater attention.

20. It is clear that poverty can be greatly reduced and that absolute poverty can be eradicated. The notion that the poor is fated to be poor is due to ignorance, for clearly when the poor is given adequate help they can improve themselves. And when they become rich, this too is fate or takdir. It is the duty of a responsible Government to help the poor and eradicate poverty and Islam does not say that such help is unIslamic.

21. In the effort to eradicate poverty it is important that the poor are motivated to overcome their own poverty. Those who try to convince poor people that they should not strive against their fate are in fact undermining the spirit of the poor to work towards their own salvation. Such people are in fact trying to suppress the poor and keep them poor forever. Islam has never decreed that Governments should deliberately kill the spirit of the poor to strive to better themselves. Only those who do not understand Islam or who have other motives would actively deprive the poor of the help and opportunities to better themselves.

22. The restructuring strategy under the NEP designed to increase Bumiputera ownership and control especially in the commercial and industrial sectors of the economy has also met with much success in quantitative terms. The Bumiputera share of equity in the corporate sector has increased rapidly from 2.4 per cent in 1970 to 20.3 per cent in 1990. Although this is still below the target of at least 30 per cent envisaged under the NEP, the rate of increase has been very high as the Bumiputera started from a much smaller base compared to other races. However, most of this progress was due to the efforts of institutions such as the Permodalan Nasional Berhad, PERNAS, and Tabung Haji while the equity acquired by Bumiputera as direct investors is relatively small. Further, there has been slow progress made by

Bumiputera to develop as a commercial and industrial community and become owners and operators of their own business. Although the Government provided substantial support and subsidies to assist them, the incidence of business failures was rather high among them. Experience during the NEP period indicates that although equity ownership has increased, this alone has not been sufficient to create a strong Bumiputera commercial and industrial community capable of retaining their share. There must be more effective efforts to develop their management and entrepreneurial skills as well as their value system so that the quality of their participation in the economy can be significantly improved and made more permanent.

23. Looking at the total picture, however, there is no denying that despite the shortfalls and weaknesses, great strides have been made to achieve both growth and equity in our development and achievements, making Malaysia a unique model among developing countries. There is hardly any multi-racial country in the developing world which has been able to carry out this experiment in socio-economic engineering successfully, without disrupting and reducing or even negating economic growth.

24. Usually if wealth is redistributed, economic growth is retarded. If on the other hand, economic growth is given priority, then the inequities in society will be accentuated. We can be justly proud that through the NEP, we have been able to make the employment and ownership structure in this country more multi-ethnic and to reduce poverty without sacrificing economic growth. Indeed, our economic growth actually outstripped those of other countries not undergoing restructuring. And all these are achieved in the context of a democratic system with peace and stability prevailing. When all is said and done, the NEP must be acknowledged as one of the greatest policies of independent Malaysia, enabling it to prosper without the blatant injustices of a totally materialistic society.

The New Development Policy

25. We have made remarkable progress but we still have more to do. The objectives of the NEP have not been fully realised. Poverty still remains, although the magnitude of the problem has been substantially reduced. There are still wide gaps among the communities and the Bumiputera still lag behind in a number of important fields, especially in the field of ownership and management of commercial and business enterprises and in the professions. Within the different non-Bumiputera and the Bumiputera communities too, there is inequitable distribution of wealth which needs to be redressed.

26. We must not allow the success we have reaped to slip out of our hands because of our complacency. We must push on with policies designed to reduce further the current disparities among the races in order for national unity to be firmly established.

Tuan Yang di-Pertua,

27. The Second Outline Perspective Plan covering the period 1991-2000 has been formulated based on a new policy called the New Development Policy (NDP). This new policy will maintain the basic strategies of the NEP of eradicating poverty and restructuring society so as to correct social and economic imbalances and thereby contribute towards national unity.

28. National Unity remains the ultimate goal of the NDP because a united society is essential to the promotion of social and political stability and sustained development. The NDP will set the pace to enable Malaysia to become a fully developed nation by the year 2020 not only economically but also in terms of social justice, moral and ethical values,