

~SPEECH BY: Y.A.B Dato Seri Dr. **Mahathir** Bin Mohamad
The Prime Minister

EVENT: Presenting The Motion For The Tabling Of The Seventh Malaysia Plan

VENUE: In The Dewan Rakyat

DATE: 06 May 1996

TIME: 3.30 p.m.

Mr. Speaker, Sir,

With great pleasure, I stand before this august House to present the following motion:

2. "That This House,

recognising the impressive growth of the economy and the significant progress made in achieving our socio-economic objectives during the implementation of the Sixth Malaysia Plan;

supports the Government's continued implementation of the National Development Policy and the pursuit of the objectives contained in the Second Outline Perspective Plan through the process of the Five-Year Development Plans;

approves and endorses the Seventh Malaysia Plan, which seeks to implement strategies and programmes, and allocate funds, to realise the objectives and commitments of the National Development Policy as set out in Command Paper No. CMD 8 of 1996;

That in approving the Seventh Malaysia Plan, this House calls upon all Malaysians to intensify their efforts and commitment towards the

mission of building a united, socially-just, progressive, competitive and resilient nation in line with the nation's aspirations to become a developed nation by the year 2020.

With your permission, I now table the Seventh Malaysia Plan, for the period 1996-2000, for deliberation by Honourable Members of this House".

Mr Speaker, Sir,

3. Today we launch yet another five-year Malaysia plan, the seventh in a series of five-year plans which have become quite familiar to this House and to Malaysians in general. The danger is that, we may take this plan and this presentation for granted and not take much notice of it. It would be a mistake to do so, for the five-year plans which our country has become accustomed to are crucial to the development of the nation. Indeed, the prosperity that we enjoy today, the 8 per cent growth, the ever-increasing incomes of everyone of us, including Government employees, are essentially the outcome of these plans.

4. Many countries, including communist and socialist countries plan their economy in five-year tranches but as we all know not many produced

the desired results.. Some indeed failed. Some are never really implemented remaining entombed in beautifully bound volumes.

5. But in Malaysia we do not just plan. We implement them. While the Economic Planning Unit (CEPU) draws up the plans for five years and for each single year, and indeed for each single project or programme, the Implementation and Coordination Unit (ICU) oversees the coordination and implementation of every single plan, reporting back to the Government the progress and the problems so that changes and adjustments may be made where necessary in order to achieve the desired results. The original Operations Room, patterned after the War Room used during the war against the Communist guerrillas, have now given way to rather sophisticated computers and feed-back systems so that everything that is happening on the ground can be monitored from the centre. The result is to produce results. The plans are translated into programmes and projects which the people can actually see and feel.

6. In Malaysia, while we have five-year plans, we also have long-term Outline Perspective Plans (OPP) which help concentrate our efforts in achieving well-defined long-term national objectives. The first OPP was for the period 1971-90 when the objective was to eradicate poverty and remove the identification of race with economic functions as set out in the New Economic Policy (NEP).

7. The second OPP was for the period 1991-2000 and is concerned largely with achieving the National Development Policy (NDP) which is a modified NEP using a different approach, ~ We are of course in the second half of this second OPP, but much has already been achieved which point towards the correctness of the policy.

8. But, even as we launched the NDP we decided on a longer term objective, that of making Malaysia a developed country by the year 2020, i.e. over a period of thirty years beginning from the year 1990. This is our most ambitious objective so far but we are quite optimistic that this will not be just a dream.

9. During the NEP period, we grew at 6.7 per cent per annum~ despite having to restructure the economy. To achieve 'the shams of a developed country, we need to grow at an average rate of 7 per cent per annum for thirty years, i.e. only 0.3 per cent higher than the growth during the twenty-year NEP period. We think we can achieve the target, especially as in the first five years of Vision 2020 we have been growing at almost 8.7 per cent yearly.

10. However, our very success has changed the bases for growth. In the early years of Our industrialisation, our problem was high unemployment. We had turned this into our competitive advantage by concentrating on labourintensive industries. True, our labour cost was higher than those of our neighbours, but we had other advantages which more than made up for this. We had political stability, an efficient administration, a low level of corruption and in addition, Government offered to forego corporate and other taxes for up to ten years. We also allowed ~100 per cent foreign ownership under certain conditions. Besides, our workers were adaptable, trainable and productive.

11. Our focus on reducing unemployment was so successful that today we

are experiencing acute labour shortage. Foreign Workers are not a solution to our problem. We want to rely on our people so that the benefit of our industrialisation policy accrues largely to our citizens. Remittances by foreign workers are a drain on our economy.

12. Apart from shortage of labour, we are also experiencing a big deficit in the balance of payments. Much of this is due to imports of capital goods which in time will help to increase our exports. But investments continue to grow and the imports of capital goods will continue and will always affect the balance of payments adversely.

13. Faced with these two problems, we have to change the stress from job creation and import substitution to capital- and technology-intensive industries producing largely for the export market.

14. Job creation will now be replaced with minimisation of labour inputs and maximisation of the quality and skills which our work:force must have. The new industries should be automated and robotised. Workers will largely supervise machines and robots and be skilled in servicing them. They will of course be retrained but they can expect better wages for their new skills. We have no doubt that our workers have the capacity to upgrade or learn new skills and to be productive.

15. In order to overcome the adverse balance of payments, imports will have to be minimised. This means reducing necessary imports and producing ourselves most of our needs and the components which go into our products whether for domestic use or exports.

16. Our exports must be increased. Where before, local industries targeted the local market and produce import substitutes, today we must export most of what we produce in order to balance the nation's trade. The world will be our market and to be competitive we must go big and achieve economies of scale.

17. Fortunately, Malaysians have learnt the skills of manufacturing and have accumulated sufficient capital ~in order to set up large-scale quality manufacturing.

18. The success of this new strategy: will depend on social and political stability, industrial peace and dedication and working not just to oneself but for the national goal. It should always be remembered that when one helps achieve national goals one would be helping one's self largely. On the other hand, if one is concerned only with maximising one's own earnings, whether one is an employer or an employee, the result can be detrimental to the nation's economy and eventually to one's own interest.

19. The Government has on many occasions changed tack and strategies and adopted new ones in order to overcome problems which resulted from the very success of the strategies followed. Because promoting labour-intensive policies was so successful, there is a labour shortage, thus, it becomes necessary to discard the labour-intensive industries policy in favour of capital- and technology-intensive industries where only a small number of workers would be needed.

20. The switch to capital-and technology-intensive industries and the promotion of large-scale manufacturing which targets the world market will

hopefully overcome the present problems of labour shortage and deficits in the balance of payments.

Mr. Speaker, Sir,

21. Let me recapitulate for the benefit of Honourable Members the performance of the Malaysian economy during the last five years. The economy recorded an average real Gross Domestic Product (GDP) growth of 8.7 per cent per annum, exceeding the revised Sixth Plan target of 8.1 per cent. This rapid growth resulted in our per capita income rising from RM6,099 in 1990 to RM9,786 in 1995. This increase in income together with rather low inflation has resulted in a very significant increase in the purchasing power of the people in this country. This is evident from the tremendous expansion and upgrading of retail shopping, housing and personal transportation. A huge middle class has emerged while the lower income groups enjoy higher spending power.

22. This remarkable performance of the economy is not by accident but the result of judicious implementation of carefully thought-out pragmatic policies and programmes. The successful implementation of the National Development Policy, which retained major features of the NEP along with the Privatisation Policy has contributed to rapid economic growth and prosperity for all Malaysians. The incidences of hardcore poverty and general poverty were reduced and the mean household income of all Malaysians increased markedly, with the increase being broad-based and benefiting all ethnic and income groups as well as urban and rural dwellers. Bumiputera participation in a broad range of professions increased and the proportion of Bumiputera managers in the corporate sector reached a significant level. These bode well for a bigger role of the private sector in the restructuring programme envisaged in the NDP. The active involvement of the private sector in a wide range of programmes helped to create a viable Bumiputera Commercial and Industrial Community (BCIC).

23. Privatisation was one of the major vehicles to enhance Bumiputera participation in the economy. To ensure active Bumiputera participation, the privatisation policy stipulated that Bumiputera should hold a minimum of 30 per cent equity in all privatised entities. Bumiputera ownership was also increased through the Management-Buy-Out (MBO) method and employees of the privatised entities also benefited through the offering of company shares under the Employee Share Option Scheme (ESOS) and Employee Loyalty Share Option Scheme (ELSOS), as well as Unit Trust Schemes. The participation of trust agencies and institutional investors had benefited all Bumiputera without favouring any particular group. Bumiputera contractors can actively participate in the privatisation process through the requirement that at least 30 per cent of contract work be reserved for Bumiputera contractors. Bumiputera ownership also increased through the purchase of shares by managers and employees of the privatised agencies and also through the offering of shares to employees. The increased ownership also resulted from the offering of share options for employees who are loyal to the company and through unit trust schemes. Privatisation also benefited other Malaysians through Bumiputera and non-Bumiputera joint-venture projects as well as contracting and sub-contracting of privatised projects to non-Bumiputera. Non-Bumiputera also benefited from participation in the listing of privatised entities in the stock exchange.

24. Although the Malaysian economy continued to achieve strong growth,

price stability was maintained throughout the period. We were able to contain inflation through budgetary restraint, a tight monetary policy and effective administrative measures. The rapid growth of the economy also brought unemployment down to 2.8 per cent in 1995 from 5.1 per cent in 1990, the lowest level of unemployment ever recorded. In effect, this means that the economy now virtually enjoys full employment.

25. The performance of Malaysia's external sector acted as a catalyst to the nation's growth. Despite the sluggishness of the world economy at the beginning of the Sixth Plan period, gross exports increased at an average rate of 18.4 per cent per annum, indicating the increased competitiveness of Malaysian products. However, gross imports comprising mainly intermediate and investment goods, grew at a rate of 19.7 per cent per annum due to the rapid expansion of productive capacity of the economy.

26. With the rapid growth, the economy also faced supply constraints such as infrastructure inadequacies and labour shortages while the current account deficit of the balance of payments persisted throughout the period. In addition, large short-term capital inflows affected the management of monetary policy in the middle of the Plan period. However, pragmatic policy measures were instituted and conscientious efforts were undertaken to overcome these developments.

Mr. Speaker, Sir,

27. The success achieved thus far has laid a strong foundation upon which the Seventh Malaysia Plan can be built. Our primary challenge will be that of transforming the economy from one that is investment-driven to one that is productivity- and quality- driven through enhancing the efficiency of labour and capital, skills upgrading, capital deepening and improving management and entrepreneurship. Concomitant with this will be the need to accelerate the shift towards higher value-added activities that are labour-saving as well as capital and technology-intensive. Such a shift requires the strengthening of the science and technology base and enhancing research and development capability of the nation. Besides this, it is necessary for us to realise the full potential of communications technology, particularly information technology, given its rapid development. We should not only be users of multimedia products but also be suppliers and developers of this technology and its applications.

28. In the past, the manufacturing sector had spearheaded economic growth. However, experience has shown that it is unhealthy to depend only on one sector. The services sector must also be made to contribute. Accordingly, we have to develop a modern, dynamic and outward-oriented Malaysian services sector that will not only be a major catalyst for growth but also be a potential exporter of services such as education, finance and consultancy. At the same time, we must promote a more integrated process of production through strengthening inter-industry linkages and increase the domestic production of selected intermediate and capital goods to reduce the dependence on imports. In addition, local firms should take a global approach to industrialisation and venture into large-scale manufacturing so as to enjoy the benefits of economies of scale.

29. In our quest for continuing high growth, we have to ensure that environmental and social considerations are not neglected in line with the philosophy of balanced development required by the NDP. We also have to

ensure that rapid growth does not impair the ethical and moral fabric of our society, particularly among the young.

Mr. Speaker, Sir,

30. The thrusts of the Seventh Plan will be to enhance potential output growth, achieve further structural transformation and attain balanced development. With greater competition from emerging economies for foreign investment capital, and as labour resources become more scarce, the focus of the Plan will be on accelerating productivity and efficiency. Special emphasis will be given to skills upgrading, capital deepening and technological development. An important facet will be to increase efficiency and productivity in resource utilisation to strengthen Malaysia's competitive edge.

31. The implementation of the Seventh Plan will ensure the continuance of high growth with stability. Real GDP is projected to grow at an average rate of 8 per cent per annum. This robust growth will be sustained partly by domestic demands and investments. Total investment is expected to grow by 5.6 per cent per annum with private investment providing the main stimulus for the economy. Foreign direct investment will remain important, particularly in upgrading technology, skills and management expertise. Public investment amounting to RM150.8 billion: will continue to focus on providing basic amenities and certain infrastructural facilities, developing skilled manpower and deepening the science and technology base.

32. Growth in consumption will be contained at a reasonable level, averaging 7.4 per cent per annum. This projected level will ensure that sufficient funds can be raised to finance domestic investments. Together with the increasing sophistication of the capital market and the introduction of innovative savings instruments, the high savings rate will be maintained. Gross national savings is estimated to reach 36.5 per cent of Gross National Product (GNP) by the year 2000.

33. Growth in the Seventh Plan period will continue to originate in the manufacturing, services and construction sectors. As exports of manufactures will be actively promoted during the Seventh Plan period, manufactured products are projected to account for 88.6 per cent of total merchandise export earnings in the year 2000. At the same time, the services sector is estimated to grow at 8.4 per cent per annum and its share of GDP will amount to 43.9 per cent by the end of the Plan period, reflecting its increasing importance to the economy. The construction sector is expected to grow at 10.2 per cent per annum with large infrastructure projects undertaken through privatisation as well as residential and commercial development and the continued expansion of the manufacturing sector providing the construction sector the growth momentum. The mining and agricultural sectors are expected to grow at 2.3 per cent and 2.4 per cent per annum, respectively.

34. Unrestricted imports due to affluence and the needs of industrial expansion have resulted in a build-up of the deficit in the balance of payments. As Honorable Members are aware, Malaysia's current account has been traditionally categorised by surpluses in the merchandise account and persistent deficits in the services account. However, the higher growth in imports of capital and intermediate goods arising from the rapid build-up of production capacity has now contributed towards the deficit in the

merchandise account of the balance of payments. During the Seventh Plan, the Government will give special emphasis to strengthening the balance of payments position by instituting measures to reduce the deficit through the production of capital and intermediate goods and components, locally. Steps will also be taken to increase receipts from tourism and port throughputs as well as the reduction of other outflows such as insurance, freight and payments for education overseas and consultancy services.

35. The performance of Malaysian exports in the next five years is expected to be more favourable due to growth in world trade arising from a more liberal global trade regime. At the same time, import growth will be curtailed through maximising local production of intermediate and capital goods.

36. Although the overall services account will continue to be in deficit, it will be reduced. This should be the result of measures that the Government has undertaken such as greater use of Malaysian ports, shipping, insurance and reinsurance, the use of local consultants, tourism and higher education within the country.

37. High growth will tend to push prices up. Nevertheless, inflation will be kept low through appropriate monetary and fiscal policies as well as administrative and supply adjustment measures. The Government's primary objective of achieving zero inflation with respect to certain basic needs such as food, clothing, shelter and transportation for the low income group will be seriously pursued. Adequate supplies will be maintained to prevent demand pull on prices. Increases in the prices of non-essential luxury goods will not be included in the computation of inflation.

Mr. Speaker, Sir,

38. During the Seventh Plan period, the Government will maintain the policy of prudent fiscal management by consolidating public sector finance. The Government, while aiming at the basic needs of the poor, will also focus on the private sector-led growth strategy. Although more and more public facilities are being privatised, Government has not abdicated its role as a provider of public services which the private sector cannot offer on which require subsidies in order to lessen the cost to the public. Without this subsidy element, the cost to the public would be too high for privatisation to succeed. In addition, emphasis will be given to human resource development to meet the increasing demand for higher skilled manpower to support the strategy of productivity-driven growth. The Seventh Plan will also give priority to improving further the quality of life, while achieving balanced development among states and regions.

39. The total public sector development allocation will amount to RM162.5 billion, of which the Federal Government's share will amount to RM67.5 billion, State Governments RM12 billion, Local Governments and Statutory Authorities RM7.9 billion and the Non-Financial Public Enterprises (NFPEs) RM75 billion. This total allocation as a share to GNP is 11.5 per cent compared with 14.8 per cent in the Sixth Plan, reflecting the Government's commitment to reduce the size and the role of the public sector.

40. The Federal Government development allocation will be primarily for the acceleration of the development of certain infrastructural facilities not suitable for privatisation, and the increase in the supply of human

resources in technological and scientific fields. Priority will be given to projects that will create new capacity and reduce supply constraints as well as those that will generate new economic opportunities in the less developed states and the rural sector. In line with our intention to ensure sustained economic growth, while improving incomes and reducing poverty, the economic sector has been allocated RM33.7 billion, or half of the total allocation. Of this allocation, 23.4 per cent will be for the transport and communications subsector, while the agriculture and commerce and industry subsectors will receive 8.1 per cent and 8.7 per cent, respectively. The social sector is being allocated RM19.8 billion of which more than half will be for education and training, bearing testimony to the Government's commitment to strengthen human resource development. The security sector and general administration have been allocated RM9.2 billion and RM4.8 billion, respectively.

Mr. Speaker, Sir,

41. The thrust of NDP is balanced development with emphasis on growth with equity. The NDP seeks to continue efforts to correct economic imbalances and to create a more just, united, peaceful and prosperous society. Emphasis will, therefore, continue to be given to poverty alleviation, the reduction of economic imbalances as well as creation of a viable BCIC.

42. During the Sixth Plan period, the focus of anti-poverty programmes was directed at the hardcore poor. At the same time, programmes for poverty redressal in general continued to be implemented. The Government played the leading role in these efforts by promoting income-generating projects, providing improved infrastructure and amenities, and greater access to education and training facilities as well as programmes directed at inculcating positive values among the poor. With the rapidly expanding economy and increased employment opportunities, the Overall incidence of poverty among Malaysian households was reduced from 16.5 per cent in 1990 to 8.9 per cent in 1995, while the incidence of hardcore poverty decreased from 3.9 per cent to 2.1 per cent during the same period.

43. With the continued stress on achieving social justice and the reduction of the incidence of poverty, plans and programmes will be launched in the Seventh Malaysia Plan designed to reduce the overall incidence of poverty to 5.5 per cent, that is lower than the 7.2 per cent targeted under the second OPP. At the same time, hardcore poverty will be practically eradicated. The rapid growth of the economy will provide greater opportunities for the poor to participate in income-generating activities and move out of poverty. In addition, education and expanded skill training will enable the poor to be employed in the more productive and remunerative sectors of the economy.

44. On the restructuring of society, a carefully selected range of programmes was implemented during the Sixth Plan with the purpose of laying the foundation for achieving the NDP objective of creating a vibrant BCIC.

Many Bumiputera entrepreneurs benefited from the vendor development programme, the Bumiputera joint-venture scheme, the franchise development programme as well as the venture capital scheme which enabled Bumiputera entrepreneurs to participate in small- and medium-scale enterprises in the manufacturing, construction and modern services sectors. Each programme was packaged to include several types of assistance, such as formal training

and hands-on experience, marketing channels, provision of business premises, technical advice, and financial assistance in the form of loans to provide Bumiputera entrepreneurs the opportunity to actively participate in business and commercial activities.

45. There was also an increasing number of capable Bumiputera entrepreneurs managing and participating in large projects and businesses that were created through the availability of Government contracts and licensing, the privatisation programme, and the general expansion of the economy. These entrepreneurs became owners or major partners in a wide range of strategic businesses such as banking and other financial institutions, commercial aviation, the manufacture of telecommunications equipment, the provision of telecommunications services, the manufacture of motor vehicles, and the construction of highways and new townships. However, there is still scope for greater Bumiputera participation as training and experience produce more new and capable Bumiputera entrepreneurs. There are indications that the Bumiputera have the potential, and if they are determined, to manage commercial and industrial activities, finance and manufacturing and a whole range of other economic pursuits. They are now contributing significantly to the economic development of the nation.

46. The packaged programmes, such as the vendor and franchise development as well as the joint-venture programmes, implemented in the Sixth Plan to develop a viable, competitive and resilient BCIC, particularly in small and medium-scale enterprises, will be expanded during the Seventh Plan. With this, a larger number of Bumiputera entrepreneurs will be identified who could benefit from the increased opportunities generated. In addition, Bumiputera entrepreneurs will be given appropriate training to increase their capability to participate in strategic industries such as aerospace, automotive, fabrication and engineering, petroleum and petrochemical, and telecommunications. This is in line with the Government's mission to involve Bumiputera entrepreneurs in the more technologically-advanced industries.

47. In the efforts to increase Bumiputera equity ownership, participation and control in the corporate sector, the Bumiputera will be equipped with appropriate skills to manage and operate their assets and wealth on a sustainable basis. With increasing focus on proper management of Bumiputera-owned entities, there will be greater retention of Bumiputera ownership in commercial and industrial activities. This is necessary if the NDP is to succeed in bringing the Bumiputera permanently into the mainstream of the nation's economy. Once they become able to manage and augment their assets, the need to protect them at every turn may be reduced.

48. In terms of employment, the Sixth Plan's emphasis was on increasing Bumiputera employment in key professional occupations and in managerial positions in the corporate sector. It is gratifying to note that Bumiputera employment in all occupations have increased with their share in the professional and technical category and the administrative and managerial category increasing to 64.3 per cent and 36.1 per cent, respectively in 1995 from 60.5 per cent and 28.7 per cent in 1990.

49. To increase the supply of the Bumiputera in professional and technical occupations, the Government will take steps to channel a bigger number of Bumiputera students into the science and technical streams in

schools, as well as in professional and engineering courses in universities and skills training institutions. There are however non-Bumiputera communities who are not progressing in economic activities. The Government will give special attention and help to them.

Mr. Speaker, Sir,

50. The greatest asset and contributor to a nation's development is the quality of its human resources. The experience of newly industrialising economies has demonstrated that, in spite of the scarcity of natural resources, success was achieved by the optimal use of human resources. Human resource development has now emerged; as the primary determinant for sustainable economic growth and the consequent improvement in the quality of life.

51. With the right quality of human resources, it would be possible to transform an agricultural economy into a successful industrialised economy. Human resources quality does not refer only to the level of education and skill but also good ethical values which will be able to put these skills to maximum productive use. To become world players, our work force must be fully motivated to make use of all their personal assets and moral qualities so as to compete in the international market place. In the end, of course, they will reap handsome personal benefits.

52. The strong and perhaps unexpected growth of the economy during the late eighties and the Sixth Plan period created an increased demand for manpower at all levels. Even though there was a substantial increase in the output of skilled manpower, the education and training system could not respond adequately to meet all the requirements for skilled labour, thus resulting in labour shortages. The Government responded immediately by allowing the employment of foreign workers in plantations, construction, manufacturing and selected services sectors on a temporary basis. But this is obviously not the best or the wisest approach. While foreign workers do contribute to the economy, the cost in financial and social terms is very high.

53. In the Seventh Plan, human resource development will be a major thrust in the light of the anticipated switch from labour-intensive industries to high-tech automation and robotics in large industries which will require smaller but a more highly skilled work force. Nevertheless, employment is expected to grow at 2.8 per cent per annum while the labour force is projected to increase at the same rate, mainly from the continuing high growth of the working-age population. The unemployment rate is also expected to stabilise at 2.8 per cent, which is virtually full employment level. The Seventh Plan will require improvements in the quality of the workforce to raise productivity levels. Skills upgrading, capital deepening, technological development and organisational improvements will, therefore, underpin the transformation of the Malaysian economy towards productivity-driven growth. The increase in productivity is crucial for us to target the world market for our industrial products.

54. I must stress that a productivity-driven economy will require higher levels of professional and skilled manpower as well as administrative and managerial expertise. Thus, the upgrading of labour force skills and knowledge, the promotion of improved managerial competence and initiative as well as the advancement of scientific and technological know-how will

be pursued actively and jointly by both the Government and the private sector. Greater private sector participation and initiative will be encouraged in the provision of tertiary education as well as skills training and retraining. With the introduction of the Private Higher Educational Institutions Act, 1996, the private sector can now set up training and educational institutes at the highest levels and to confer publicly recognised certificates, diplomas and degrees which will be at par with Government and foreign institutions. The focus will be on science and technology and skills training up to master craftsman level which will be suitable for employment in higher and sophisticated industries. There is no doubt that, given the right kind of training, Malaysian workers and managers will be able to master the required skills and expertise.

Mr. Speaker, Sir,

55. I believe that the reliance on foreign labour will ease following the Government's policy to encourage more firms venturing into capital- and technology-intensive production methods and processes. To ensure that this happens, the Government will discourage labour-intensive industries with a capital investment per employee of less than RM55,000. With this, domestic labour supply will adjust to labour demand. I believe, as firms increasingly adopt labour-saving technologies, the need for foreign labour will gradually diminish. We will not be totally uncaring for their needs. If their Governments permit us, we will invest in labour-intensive industries in their countries and relocate our labour-intensive industries.

56. At the same time, the greater utilisation of local labour will be enhanced. This can be achieved by increasing their supply through raising the female labour force participation rate, and employing retirees and handicapped persons for appropriate jobs. We still have a substantial proportion of women, particularly housewives, who have not been drawn into the workforce. The Government is currently reviewing the Employment Act, 1955, with a view to amending rules relating to part-time employment. This will permit women to be gainfully employed as part-time workers. More education and training opportunities will also be provided for women to improve their upward mobility in the labour market. I would also like to encourage firms to facilitate greater entry of females into the labour force by adopting flexible work practices, such as career breaks, job sharing and flexi-time for full-time women workers. This family-friendly approach will, therefore, provide women the flexibility they need to manage their time between work and family.

57. As more women are expected to enter the workforce, efforts will be made to provide women with skills for family development in areas such as parenting and family health as well as ways to cope with the twin responsibilities of family and career. The Government will continue with ongoing efforts to address women's concerns and provide the appropriate enabling environment for women to participate more effectively as partners in socioeconomic development. We just cannot afford to let half our female workforce to remain idle if we want to reduce our dependence on foreign workers and increase family incomes.

58. While the favourable employment situation during the last few years benefited Malaysian workers through higher wages, wage increases which do not reflect productivity gains will in the long-term result in inflationary pressures, erode competitiveness and subsequently worsen the standard of

living of those same workers. This kind of wage-price spiral will negate our efforts to increase the spending power of our people. It is always important to remind oneself that it is not the amount of money we earn that counts. It is the purchasing power of our income that counts. If our productivity is low, it simply means our cost of production will be high and therefore inflationary, while our competitiveness is reduced. In the end, our economy will shrink, bringing with it lowered incomes and continuous unemployment.

59. Concerted efforts should, therefore, be made by the public and private sectors to increase productivity and efficiency of the workforce. At the same time, wage increases should commensurate with productivity in order to reduce unit labour cost. The improvement in unit labour cost will strengthen the competitiveness of our products.

60. With regard to this, I would like to urge trade unions to shift away from solely fighting for higher wages, irrespective of productivity increases. Premature demands and agitations by the workers will merely lead to the failure of our industrialisation programme. As we all know, it is the success of the industrialisation programme which has created labour shortage and improvements in wages earned. Failure of the industrialisation programme will have just the opposite effect, i.e. unemployment, inflation and declining purchasing power. The Government's policy is to increase the earnings of workers so that they will enjoy a better standard of living. This can be done through the establishment of large-scale industries which employ a lesser number of more highly paid workers. Naturally, these workers will need better skills in order to manage and supervise more sophisticated machines. Retraining is essential for this, as well as a greater sense of responsibility and discipline as they will be looking after extremely expensive machinery and equipment. In order to get their members to earn more, unions should assist with training and instilling good work ethics. This is going to be much more difficult than merely urging industrial action for more pay. Leadership quality of the highest order must be developed among union leaders.

Mr. Speaker, Sir,

61. Privatisation has without doubt enabled Malaysia to sustain high growth while enabling the nation to keep up with demands on the infrastructure commensurate with the rapid industrialisation process. If we have to wait for the Government to earn sufficient revenue or borrow before we can build the roads, ports, airports, telecommunication facilities, water supply and electricity, most of what we enjoy today in terms of public amenities would not have been in place. Nevertheless, the feasibility of these privatised projects owes much to the willingness of the Government to transfer assets to the private sector at nominal prices. These, the Government is willing to do because in any case these assets were not earning anything for the Government. Indeed, the Government had to allocate funds every year merely to administer the agencies or departments concerned.

62. By privatising these functions the Government saves its budget allocations and salary bill. In addition, when these privatised agencies make profits, and they often do, they pay taxes to the Government. If Government continues to hold shares in the company, it will also share the dividends. So, all in all privatisation has benefited the Government and the

nation. The Sixth Malaysia Plan saw many successful privatisation projects involving infrastructure and utilities.

63. The process of privatisation is as important as privatisation itself if the strategy is to succeed. In many countries, the privatised entities resorted to retrenching staff in order to reduce cost. This is not permitted in Malaysia. In addition, the remuneration offered must be better than the original pay scale. Employees are entitled to a certain percentage of the shares and may be paid bonuses when company performance is good.

64. While the Government may identify the entity to be privatised and may then call for bids, in many instances the private sector identifies the entity and submits a proposal. It would be unfair to take such privately initiated proposals and then invite others to make a bid. The original proposer is, therefore, given exclusive right to do a study and make detailed proposals provided the proposal is unique. A proposal to develop a piece of Government land does not come within the definition of unique.

65. Without exclusivity, the proposer would not be prepared to spend money on feasibility studies. Still, if the final submission is not attractive, the proposer may not get the project. In such a case, the Government feels that it is no longer obliged to extend the exclusive right. Others will then be invited to make bids.

66. In certain cases, successful Bumiputera entrepreneurs have been able to acquire controlling shares in privatised enterprises. This is justified by the need to inject responsible personal management as against management by professional managers and directors chosen by Government institutions which hold shares in the enterprise. This has proven successful, with the enterprises expanding and becoming more profitable. Obviously, only Bumiputera entrepreneurs with good track records and credit-worthiness could be considered. If these criteria are not met, failures would be more likely.

67. Privatisation has been very beneficial to Malaysia. It has reduced Government expenditure on administration and development, increased Government revenue, stimulated the private sector and enhanced the capitalisation of the stock market. In addition, it boosted the wages and incomes of employees at all levels. Even Government employees benefited as revenue increased which enabled Government to revise pay scales.

68. The consumers benefited from availability of public amenities earlier and of better quality at minimal increases in cost. Of course, development has been accelerated greatly, particularly infrastructure development.

69. As for the NEP objective of eliminating the identification of economic function with race, there can be no doubt that privatisation has helped to reduce it at all levels, from rich entrepreneurs to high-wage skilled workers. And it has contributed much toward poverty eradication.

70. There can be no doubt that a lot of Malaysia's sustained high growth is due to privatisation.

71. During the Seventh Plan period, an accelerated privatisation programme will be pursued, particularly in the infrastructure, utilities and transport sectors as well as extensions into the services sector, such

as education and training, health services and R&D. These privatisation exercises will undoubtedly enhance the efficiency and productivity of the producers and providers. At the same time, the interests of consumers will be protected by the establishment of relevant regulatory bodies.

72. The success of Malaysia's privatisation programme must not be taken for granted. Many countries have failed and have to give up privatisation. For it to be successful, the selection of entrepreneurs and continued support on the part of the Government at all levels are absolutely essential. We are fortunate in that the Malaysia Incorporated concept facilitates such relationship.

Mr. Speaker, Sir,

73. The Seventh Plan period is an important phase in the country's drive towards becoming a more industrialised economy. The manufacturing sector will have to switch from relying on the limited local market to producing for the world market.

74. At the same time, Malaysian firms will have to build and develop new modes of business networking with foreign markets and businessmen. These will include deliberate disaggregation of production processes which will retain the higher value-added operations in Malaysia, while creating supporting overseas production ventures that are amenable to the level of skill and technology in those countries. A more concerted and coordinated approach will also be undertaken to broaden and strengthen the manufacturing base through the development of capital and intermediate goods industries. Strategies and programmes to further expand and upgrade small- and medium-scale industries (SMIs) will also be actively pursued, to enable them to become more competent in supporting the larger establishments.

75. In consonance with the emphasis on productivity-driven growth, efforts will be taken to enhance the nation's capability to adopt, adapt and improve imported technology as well as promote the development of indigenous technology. Appropriate policy and institutional reforms to foster stronger cooperation in technology development between industry, universities and research institutions will be undertaken.

76. The R&D expenditure as a percentage of GNP will have to be doubled in order to accelerate the building up of in country R&D and technological capability. At least one per cent of GNP is usually the accepted level at which R&D can begin to effectively support industrial innovations and strategy. In this regard, the Government will increase direct R&D funding for research agencies and universities to RM1.2 billion. Increased efforts will be made to sensitise public sector R&D to meet market needs and generate economic spin-offs.

77. In order to ensure sustained and competitive industrial technology development, the private sector must assume a more significant role in technology acquisition and transfer as well as commercialisation. In line with this, industry will be encouraged to specialise in new and promising technologies in the move towards the establishment of technologically-sophisticated industries producing better quality and competitive products.

78. Furthermore, as Honourable Members are aware, the critical role of information in decision-making and global competition has thrust

Information Technology (IT) into the forefront of economic development. IT can play a significant role in national development, particularly in improving efficiency, productivity and competitiveness. In this regard, the Government will ensure that the IT infrastructure will be enhanced in order to create a strong foundation for building a knowledge-based and information-rich society.

79. A National Action Plan is being formulated to ensure coordinated planning and management of IT development in the country. The Government has initiated the construction of the Multimedia Super Corridor which will extend from Kuala Lumpur to the Kuala Lumpur International Airport (KLIA) via Putrajaya, which will be provided with world class physical and information infrastructure. Private sector multimedia companies will be encouraged to locate in the Corridor to undertake remote manufacturing and introduce high value-added IT goods and services in order to make Malaysia a regional IT hub.

Mr. Speaker, Sir,

80. The transformation of Malaysia's economy into an industrialised one has placed constraints on the development of the agricultural sector, particularly the shortage of labour, limited availability of suitable land, low prices of several commodities and consequently a relatively low level of investment in the sector.

The Government thus proposes to review the National Agricultural Policy, to shift the focus of agricultural development towards productivity improvement through greater utilisation of agricultural and marine resources.

81. The development of the sector will focus on areas where we have a competitive edge and offers higher returns. Cultivation of high-value crops as well as the expansion of aquacultural activities, including farming in the sea will be emphasised as these have high potential for growth. Concerted efforts towards increasing the participation of the private sector will be taken, with the public sector providing the necessary support through technical and advisory services. In the effort to make agriculture more competitive and sustainable, the Government will gradually withdraw subsidies, particularly in areas where Malaysia can no longer compete. Research and development efforts on downstream activities will be intensified to produce more high value-added agricultural products. Research into more efficient use of land, choice of crops and judicious use of plant nutrients will be encouraged by the Government. It will be necessary to transfer plantation crops needing larger land areas and work forces to suitable foreign countries.

82. During the Seventh Plan period, the Government will continue to take appropriate action to ensure that development is sustainable and balanced. Towards this end, environmental and conservation considerations will increasingly be integrated with development planning.

83. Overall, environmental and natural resource management under the Seventh Plan period will be guided by the National Policy on Environment, which is being formulated to ensure the long-term sustainability and improvement in the quality of life. The policy aims at promoting economic, social and cultural progress through environmentally-sound and sustainable development. The National Conservation Strategy (NCS) will be used as the

framework for a comprehensive approach to natural resource development. The strategy will be rational and will not be subjected to fanaticism of any kind.

84. These efforts by the Government will be supported by investments from the private sector in the field of environment and natural resource management. Efforts will also be undertaken to create niches in environmental products and technologies in which Malaysia will be able to achieve comparative advantage and cater for the growing international demand. Environmental education and public awareness programmes will be stepped up in cooperation with Non-Governmental Organisations (NGOs) and the private sector, to educate the public on environmental and conservation issues to realise the goal of sustainable development.

Mr. Speaker, Sir,

85. We should be thankful to Almighty Allah that the rapid economic development in Malaysia has enabled us to enjoy a better quality of life. The Government has successfully upgraded basic infrastructure and amenities, provided greater access to education and health services and increased the provision of housing. These basic needs are enjoyed by all Malaysians. I can assure you that the Government will continue improving these facilities to fulfil the longer term objective of Malaysia becoming a developed nation in the mould that is unique and in keeping with our values.

86. During the Sixth Plan period, the Government continued to play an important role in providing better quality education through the expansion and provision of improved facilities and adequate infrastructural support for all levels of public education. We have also introduced school curricula reforms at the primary and secondary levels as well as diversified and expanded post-secondary and tertiary education. Through a consistent policy and active private sector participation, Malaysia has achieved good progress in the provision of education at all levels. The literacy rate for Malaysia has increased from 85 per cent in 1991 to 91 per cent in 1995 as a result of efforts to expand educational opportunities for all Malaysians. We have achieved a near 100 per cent retention and completion rate at the primary level and about 55 per cent of the labour force has undergone secondary education in 1995 compared with 52 per cent in 1990.

87. During the Seventh Plan period, a number of major changes will be introduced to the education system with a view to strengthening and improving the effectiveness of the system. These efforts are expected to improve the quality and increase the quantity of output to meet the manpower requirement needs of the nation as well as to produce citizens who are disciplined, possess high moral values and good work ethics. Enrolment at the primary and secondary level in Government and Government-aided schools is expected to increase from 4.4 million in the year 1995 to 4.9 million in the year 2000. A total of about 108,000 students is expected to enter the labour market after completing first degree courses from local public institutions during the Seventh Plan period.

88. Besides education, the Government will continue to stress on health as it is crucial in enhancing the quality of life. The nation's health has improved much up till the end of the Sixth Malaysia Plan. Various programmes and projects have been undertaken under the promotive and preventive health services. A 'Healthy Life-Style' programme was also launched to inculcate

healthy life-styles among the population. As a result of these programmes and campaigns, life expectancy at birth of males and females increased to 69.3 years and 74 years, respectively by 1995 from 68.9 years and 73.5 years in 1990, while the infant mortality rate declined from 13 per 1000 live-births in 1990 to 10.5 per 1000 live-births in 1995. All urban households have electricity and about 92 per cent of the rural households had access to electricity, while 99 per cent of the urban and 83.5 per cent of the rural households had access to safe drinking water.

89. Government intends to privatise many of the health facilities, including hospitals and specialist units. Some kind of subsidy will be worked out for the poor whose employers cannot pay for their medical care or who cannot afford health insurance. The terms of employment of workers in large private firms must include free or subsidised medical treatment up to a certain limit.

90. In the meantime, hospitals for the poorer section of the population should be put up by the private sector. The present private hospitals tend to stress five-star accommodation which the majority patients cannot afford. An ordinary class private hospital should be as lucrative for Malaysian investors. Even within private hospitals, there must be elements of cross-subsidy, so that those who cannot afford can have equally good medical treatment without the need for luxurious accommodations.

91. Doctors working in five-star hospitals should also spend time in ordinary private hospital wards where fees and charges should be low. Medicine is a noble profession and financial considerations alone should not determine its practise. Society owes a lot to the practitioners of medicine but the affluence of the professionals also owe a lot to the kind of society we have. There must always be gratefulness and charity in our hearts.

~92. In the Seventh Plan, the Government will continue to expand and upgrade health programmes and services so as to enable Malaysians to enjoy a better quality of life. However, it is becoming more and more difficult for the Government to provide free or nominally charged hospital treatment. This is not just because the cost has risen tremendously, but it is difficult to retain staff, whether doctors or nurses at the low pay the Government can offer. It is no good building hospitals which will have no one to staff it. In the future, medical treatment provided at Government hospitals must either be paid for through medical insurance or private medical treatment schemes.

93. Housing and other social services programmes are also aimed at improving the quality of life of Malaysians. During the Sixth Plan period, the development of housing programmes was intended to provide Malaysian, particularly the low-income group accessibility to adequate and affordable shelter. Adequate shelter does not mean ownership of houses only. If rentals are low enough it should suffice. This has as much to do with location as it does the cost of construction since land price is an important element of cost. The performance of housing programmes was very encouraging with the achievement surpassing the Plan target. A total of about 647,500 units of houses was completed during the Plan period, of which 40.4 per cent were low-cost houses.

94. During the Seventh Plan period, the housing development programme

will be further strengthened. ~The implementation of the programmes will continue to~ give priority to ~the development of low-cost as well as low medium-cost houses so as to ~ensure that the low and lower-middle income groups can afford to own or rent suitable houses. The private sector will play a major role in meeting the housing needs of the growing number of new households to complement and supplement public sector initiatives.

95. All these developments, combined with improvements in sanitation and environmental quality, a healthier lifestyle and the development of better working environment, health and leisure facilities, together with a higher income level, will ensure continued enhancement in the quality of life of all Malaysians. Nevertheless, the quality of life depends much on the lifestyles of the people. ~An expensive and beautiful house will not guarantee a good quality of life.

Mr. Speaker, Sir,

96. Youths of today are the adult citizens of the future upon whom the continuity of development depends. Thus, the development of youth potential is vital in determining the success of the country's socio-economic development. Therefore, youth development will be one of the thrusts of the Seventh Malaysia Plan. In addition to developing quality citizens and inculcating positive values among them, youth development programmes are also intended to provide them with the necessary skills to enhance their participation and contribution to nation-building. The aim is to nurture and develop a generation of youths who are not only educated and skilled, but imbued with high moral qualities. Various programmes for youth development, such as the Rakan Muda Programme, will continue to be implemented by the Government in cooperation with the private sector including NGOs. The National Youth Policy will be reviewed to focus on youths, particularly problem youths and those who are unemployed with the aim of developing them into productive and good citizens.

97. As Honourable Members are aware, rapid industrialisation and urbanisation have resulted in an increase in the occurrence of negative social behaviour, such as drug addiction, child abuse, loafing, juvenile delinquencies, and unhealthy lifestyles. These impose strains on the family unit. These problems can impair the moral fabric of future generations if we do not address them now. The Government will establish a high-level committee to formulate policies and strategies for enhancing social and family development. At the same time, institutional support will be reviewed to provide greater focus and coordination of preventive and rehabilitative programmes for target groups such as children, youths and parents~'.

Mr. Speaker, Sir,

98. Apart from acquiring material well-being, Malaysians should be infused with a good value system which emphasises moral and ethical behaviour based on religion, customs, the norms of behaviour or good traditions. To facilitate the practice of positive values and ethics, attributes such as discipline, honesty, diligence, resilience, thrift and respect for elders, which have always characterised the social fabric of Malaysian society will be reinforced through the school system, training in the workplace and business organisations as well as spiritual development programmes. All Malaysians should absorb and practise these values as part

of their value system and code of conduct.

99. Efforts to promote the development of a caring society as an integral component of the value system will continue to be made. Priority will be given to programmes for family development aimed at strengthening the family institution's contribution towards producing responsible citizens. Therefore, the focus will be on developing shared values and positive attitudes to ensure the spirit of self-reliance and the shared commitment towards establishing a caring society. In the workplace, employers will be encouraged to provide facilities such as creches and nurseries in order to cater to the increasing number of working mothers. Flexible working hours and the option of working at home will also have to be considered to attract greater participation of women in the workforce. At the same time, measures need to be taken to promote good ethical behaviour and greater accountability through the formulation of code of ethics in the workplace. While other attributes such as friendliness, neighbourliness and hospitality will continue to characterise the Malaysian society. The objective is to develop a sense of common identity and shared purpose among all Malaysians in our efforts to build Bangsa Malaysia.

Mr. Speaker, Sir,

100. As I said at the outset, the Seventh Malaysia Plan is being tabled at a time when we are enjoying a long continuous period of high growth. Together with growth, have come concerns that we have addressed, if not in full measure, then at least substantially. We should never forget that what has been attained has been achieved not as a matter of course. If it was the case, then more countries with similar history, social structure and natural endowments will be in the same league. What we are today is a result of what we have all deliberately planned and worked for as a united people.

101. The success of the Seventh Plan, and in particular the new thrusts will depend on the commitment, determination and dedication of all of us. We have to remember that in a world of almost instantaneous communication, our market will have to be just as open as the world market where we will be selling our products. We thus have to constantly enhance our competitiveness if we want to benefit fully from an increasingly liberalised global trading regime.

102. There is no doubt that greater efforts must be made to enhance our competitiveness. During the Seventh Plan period, Malaysia will need to evolve its competitive industry clusters, strengthen its economic foundations and infrastructure, enhance the supportive institutional backing, expand and intensify a global marketing network, and maintain the tight set of incentives through investments and pricing policies. The future performance of the economy will increasingly hinge on the ability to harness these factors in order to produce a superior competitive climate.

103. This launching of the Seventh Plan also signals that only twenty five years remain for us to attain our objective of becoming a developed country in our own mould by the year 2020. A quarter of a century is but a short duration in the history of a nation. We have planned to make our country a developed country in just one generation, where developed countries took several generations. We have to prove to the world, and particularly our detractors and sceptics that we can make it, that, 'Malaysia Boleh'.

104. To acknowledge the energy and long hours expended in the preparation of the Seventh Plan, those who will be carrying it out need to study its contents and take them into consideration in formulating their respective strategies and implementation formula. This Plan has been drawn up with the intention to give every section of the Malaysian society its portion of the fruits of development. But, it can only become a reality if each and everyone will give off his or her best to the role that each must play.

~~~~105. We pray to Almighty Allah to give us the strength and resolve to face and overcome problems, to strive for greater prosperity and to uplift our national dignity. I believe, with Allah's blessings, we will be able to build a nation that is progressive, prosperous and self-reliant, respected by friends and foes alike. InsyaAllah.

Mr. Speaker, Sir,

I beg to move.

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