

Penyampai : TAN SRI DATO SERI AHMAD SARJI BIN ABDUL HAMID  
Tajuk : THE DINNER ORGANIZED BY ONTENA NASIONAL ON GLOBALIZATION  
CHALLENGE OF THE 21ST CENTURY  
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1. Globalization is a term used to describe the rapidly increasing cross-border economic, social and political interactions that are not originated by national governments. The world economy is becoming increasingly globalized as a result of strong linkages which are being established between nations and regions through trade, investments, capital and labor flows. Advances in technology especially information technology complements this process of globalization because it enhances substantially the ease and speed with which capital, knowledge and information, especially market information, transfers across national boundaries. It is said that tomorrow's world will have borders but fewer boundaries. It is also important to note that intensification of international interaction was no longer limited to economic activities but social issues like human rights and environmental concerns.

2. Despite globalization of the world economy, weaker counter-trends towards protectionism through the creation of regional economic groupings and trade blocs are expected to persist. The formation of the North American Free Trade Agreement (NAFTA) and the further integration of the European Union (EU) are some recent developments in this direction. This development will set the platform for greater intra-regional trade and investment. The exact impact of these developments is however still uncertain. Given the worst scenario, they could stifle our exports to those regional markets as well as divert investments arising from them. Whatever the actual outcome may be, but most certainly this trend will intensify competition and would require domestic production process of goods and services to be efficient, cost effective and emphasizes quality.

3. Between 1988 and 1994 the Malaysian economy performed very well, growing at an average rate of about 8.8 per cent per annum, making Malaysia one of the fastest growing economies in this region. The World Bank in its report 'The East Asian Miracle' attributed Malaysia's success to bring about high and sustained growth to high private domestic savings and investments combined with a rapidly growing competitive human capital. The nation's progress is in an era of increasing transnational integration of the world economy to the extent that even managers of strictly local firms must take note of global competition to draw up a successful market strategy in the local market. Globalization has brought additional challenges and opportunities. The successful completion of the GATT Uruguay Round is expected to lead to the greater liberalization and expansion of world trade since global trading partners are in a better position to tackle protectionist tendencies and create a positive and predictable trading environment. The establishment of the World Trade Organization will hopefully provide a more level playing field for international trade through a common institutional framework and an effective arena for settlements of trade disputes. Improved trading rules in areas of anti-dumping, countervailing duties, subsidies, safeguard measures, technical barrier to trade, patent rights, etc. further enhances the international trading environment. These developments will widen Malaysia's market access. However, it also increases global competition which calls for continuous swift response from Malaysia's corporate sector to sustain its competitiveness and capitalise to the maximum the trade opportunities created. Market oriented policies should be maintained and a selected range of competitive industries need to be given special attention within the context of the Malaysia Incorporated Policy requiring close collaboration between the public and private sectors.

4. Malaysia's manufacturing export activities are currently concentrated more to meeting the requirements of the European and American markets. Exports to East Asia are still basically exports of raw industrial commodities or semi-processed materials. There is a lot of potential for marketing processed foodstuffs, consumer durables and non-durables, transport equipments and other items for which we have comparative advantage.

These opportunities can be tapped through bilateral trade negotiations and establishing greater linkages with potentially large consumer markets like China, India and Vietnam. The creation of the EAEC as well as geographical proximity, ethnic and cultural ties will contribute towards rapid development and closer

integration of East Asia, thus providing a rich source of trading and investment opportunities.

5. Malaysian export accounts for about 80 per cent of GDP. The high level of exports is the fruit of the export-led economic strategy pursued by Malaysia to accelerate economic growth. Strong export performance will help the country to finance the import cost of development. Positive balance of payments would contribute towards the country's build up of its reserves and strengthen the value of our currency. Given a competitive international trading environment, export success depends highly on our ability to further enhance our competitiveness through continuance of market-oriented policies and the promotion of a selective range of competitive industries. A further challenge for us will be to maintain our market share through appropriate investment in economic infrastructure.

6. Globalization of business has made natural resources a less critical component in the competitive equation because of global sourcing. Revolutions in transportation and communications and the segmentation of production into global network sourcing here have freed industries from both natural resource constraints and the need to be located near consumer markets. The biggest challenge comes from the global capital market where developing nations compete to capture internationally footloose segments of capital. Since competition for capital investment is becoming increasingly intense, our other avenue to increase competitiveness is through improvements in total factor productivity.

7. The emphasis of current policies on human resource development, science and technology and research and development as well as social and physical infrastructural development will contribute towards improving total factor productivity. Human Resource development is particularly critical because our science and technology capabilities and research and development activities will be dependent on it. Complementing public sector efforts in human resource development to expand, improve and upgrade the education system, the private sector will have to participate through development of private educational and training institutions.

8. Research and Development capabilities should be enhanced through the setting up of research and development facilities in Malaysia by large multinational companies. Public-private sector cooperation to raise investments for Research and Development infrastructure and the creation of a large pool of qualified personnel is vital to facilitate the growth of research and development in the country.

9. Do we need to become a capital exporting country? Investment overseas can develop strategic linkages in terms of greater access to technology as well as extended markets for products which require economies of scale. Such investments by Malaysian companies could be through joint ventures in those countries. Capital exports can provide the means to relocate industries in which we are losing comparative advantages and are no longer profitable to operate within the country.

10. Technological innovations should be relentlessly pursued, including in the transportation industry. These innovations, particularly those involving computer applications, have enhanced the operating efficiency of the industry. The use of computer and related systems have enabled transport companies to monitor closely and continuously the movement of freight from the point of departure to the point of delivery. This system allows the accurate identification of the exact location of the freight at any point in time, thereby reducing problems arising from lost freight and delays in deliveries. With this system, the transport companies can keep their customers informed of the status of their freight. Advance systems even allow transport companies to monitor the exact route taken by the drivers of the vehicles.

11. Computer systems have also facilitated the optimum utilization of their fleet. As we are fully aware, the transport industry involves heavy investments, and it is vital that the fleet be optimally utilized to ensure even reasonable return on investments. Computer systems have made it possible for transport companies to gain competitive advantage in the industry through two primary measures. The first measure involves the ability to achieve higher utilization rate of their fleet. Second, is the ability of the companies to continuously reduce the turn-around time of their fleet.

12. I also understand that Kontena Nasional is a participant in the KONNECT electronic data interchange system that links freight forwarders with their customers. This is a laudable move as participation in such

systems will facilitate trade and improve the operating efficiency of Kontena Nasional.

13. The formation of strategic alliances is yet another strategy for our companies to take advantage of globalisation. Strategic alliances are based on interdependencies for mutual benefit. Companies, which are able to produce high quality and competitive products and services will gain by forging a strategic alliance with companies that are strong in marketing, particularly in a foreign environment. In the transport industry, an effective and efficient transport company can enter into a strategic alliance with a major foreign exporter to Malaysia. In a similar vein, arrangements like this can be made with major local exporters. Such forward and backward linkages have great potential for growth in a global environment. Companies engaged in haulage of goods should think of themselves as being in the transport industry and not in the haulage business alone to capitalize on forward and backward linkages.

14. Global thinking must become the norm among public servants. Government agencies performing critical functions in the area of economic, finance, trade, and research and development should now in the context of globalization be aggressively engaged in strategic activities such as: (i) gathering and disseminating crucial global market intelligence to local companies; (ii) aggressively seeking niches in the global market for Malaysian products and services; (iii) building expertise in international finance and investment; and (iv) enhancing expertise in international law, trading agreements and treaties.

15. Through the Malaysia Incorporated Policy many changes have been implemented to improve the delivery and quality of service to the private sector with a view to further enhance Malaysia's competitive edge in the global market. A highly efficient and responsive civil service without doubt is crucial to greater economic development in the overall process of globalization. The civil service as a facilitator in the context of globalization, has initiated a number of measures to provide a conducive environment in particular for the business community by providing: (i) clearer guidelines, procedures and appropriate legal and regulatory parameters for the conduct of business internationally; (ii) assistance to venture into new markets overseas and create opportunities for our products and services; (iii) a system of networking to gauge the changing global trends and strategise based on our strength, opportunities and threats; and (iv) speedier decision making in order to increase our international trade competitiveness in the global market. As such, the future vision and challenges for the civil service especially in the context of globalization would be to continue to focus on the following attributes: (i) a modern administrative system that is mission oriented and has the inherent ability to focus on the effective delivery of quality services; (ii) an institutional capacity to promote and sustain a climate of innovation and creativity; (iii) the ability to respond effectively to the complex and rapidly changing environmental demands; (iv) the inherent capacity to learn and develop and continuously improve knowledge and skills; (v) greater focus on the use of IT infrastructure; and (vi) enculteration of excellent values and work ethics. On the other hand since the private sector is pushed to the forefront of the economy as the engine of growth, it must be strong, dynamic, robust, self reliant and competent in its economic undertakings. The civil service must be equally efficient in its supportive role and work unreservedly to ensure a smooth and easy business environment for the private sector to enhance its competitiveness and expand its market.