

MALAYSIA

T O D A Y

towards the new

Millennium

“... an excellent overview of the achievements of the nation.
The reader can discover the extraordinary
transformation of Malaysia.”

DR MAHATHIR MOHAMAD *Prime Minister of Malaysia*



ASEAN ACADEMIC PRESS
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TOWARDS THE NEW MILLENNIUM

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FOREWORD

Dr Mahathir Mohamad
Prime Minister of Malaysia

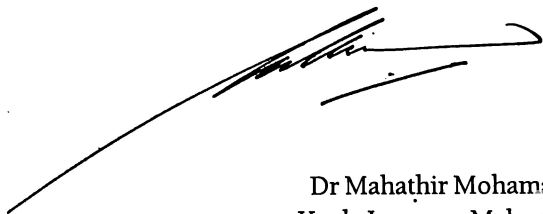
FIRSTLY, let me congratulate the Asian Strategy & Leadership Institute (ASLI) for initiating the publication of *Malaysia Today* which provides a useful insight into present Malaysia and its future direction.

Malaysia Today will provide an excellent overview of the achievements of the nation. The reader can discover the extraordinary transformation of Malaysia. The collection of articles is, therefore, timely for it serves as a useful source of reference to organisations, governments and corporate libraries as well as individuals locally and abroad.

Malaysia has formulated a strategic plan known as Vision 2020 to become a fully-developed nation by the year 2020. It requires concerted development in all areas: political, economic, social, spiritual, psychological and cultural.

To remain globally competitive, Malaysia will have to depend on its ability to promote new sources of growth. Capital-intensive and high value-added technologically sophisticated industries will be the cornerstone of Malaysia's economic development strategy. Great strides in technology and management sciences will demand a well-trained and highly-skilled workforce to achieve greater productivity and efficiency.

Therefore, ASLI's effort to produce *Malaysia Today* is highly commendable.



Dr Mahathir Mohamad
Kuala Lumpur, Malaysia



PREFACE

Mirzan Mahathir
President
Asian Strategy & Leadership Institute

TIME and time again, visitors to Malaysia have asked the question: “What is the formula for success? The formula that turned this nation from an agricultural-based economy just ten years ago to one of the most dynamic and fast industrialising economies of the world.” They also wonder about our strategies to continue this phenomenal growth in the face of new challenges in order to achieve fully-developed nation status by the year 2020.

Questions were raised on the social, environmental, cultural and political impact of this growth. Time and time again, we at the Asian Strategy & Leadership Institute (ASLI) were asked these questions and we found that it was difficult to find a single publication that gave a reasonable understanding of this subject.

We, therefore, decided to embark on a publishing project which brings together in one publication articles written by those who are directly involved in formulating or implementing policies that direct our nation along the development path. Our writers were enthusiastic in wanting to shed light on the many initiatives which contributed towards our nation-building effort. Their articles together paint a picture of far-sighted strategic thinking and planning, determined leadership and innovative solutions to age-old problems.

We are deeply grateful for the time and effort put in by our distinguished writers for producing articles of such outstanding quality.

Malaysia has indeed come a long way. We hope this book gives the reader a snapshot of our situation, the journey to where we are today and the kinds of initiatives that are now being undertaken that will move us towards our goal. Admittedly, we did not cover everything as the situation is indeed dynamic and new initiatives are announced and promoted by the day.

We hope that through this publication, the reader will have a better understanding of the myriad initiatives that in total make up our recipe for success in nation-building.



ACKNOWLEDGEMENT

Michael Yeoh
Executive Vice-President
Asian Strategy & Leadership Institute

MALAYSIA'S economic transformation has been described as nothing short of remarkable. Within the span of one generation, Malaysia has become a newly-industrialised country with manufacturing exports outstripping agricultural produce. Malaysia has emerged the world's 19th largest trading nation in less than 40 years of independence.

Malaysia today is a nation in transition as we become a more mature economy, moving up the development ladder, with a greater focus on services and value-added manufacturing. The push towards high-technology industries away from labour-intensive assembly-line operations brings forth new challenges for Malaysia. The Malaysian economy continues to chug along at a buoyant 8 per cent growth rate. At the same time, new stresses and strains have emerged as a result of the nation's economic success. The acute labour shortage has caused wage costs to spiral, whilst the dependence on foreign labour has created a myriad social problems.

Nevertheless, the future of Malaysia remains bright. Malaysia is indeed a shining star in Southeast Asia. The new millennium brings forth both challenges and opportunities. The Asian Strategy & Leadership Institute (ASLI), in line with its vision of being the foremost knowledge channel, is proud to undertake this special publication to chronicle the many facets of life in Malaysia today—economically, politically, socially and culturally.

Malaysia Today is a multi-faceted, one-stop reference on the state of the Malaysian nation and its future vision, hopes, strategies and directions. By chronicling the achievements and successes of the nation, it provides a glimpse into what the future will look like. It feels the pulse of the Malaysian economy and the rhythm of development.



Malaysia Today comprises forty-three articles on a broad spectrum of subjects. The articles are listed under five broad categories: Economic Development, Infrastructure Development, Industrial Development, Defence and Foreign Policy, and the Malaysian Experience. These articles by CEO's of leading corporations, cabinet ministers, senior government officials, academicians and strategic thinkers provide a kaleidoscope of views into various aspects of Malaysia. We are indebted to them for their contributions. These are the people who are the prime-movers of modern Malaysia. They are the architects of the new Malaysian society. And it is their efforts that have provided the building blocks for a dynamic, progressive and confident nation that will emerge as a global player and a world-class nation in the new millennium.

The publishers would like to thank all the contributors for sharing their thoughts and perspectives with us. Their analyses provide useful insights and up-to-date information. ASLI also wishes to acknowledge the sponsorship of Rashid Hussain Bhd, TA Enterprises Bhd and Hongkong Bank Malaysia.

Finally, I wish to place on record ASLI's appreciation to the team that worked so hard to produce this publication, in particular Jean Wong, Thayalan Nathan and Iris Yeoh. Their cooperation and dedication were invaluable. We also wish to thank the Prime Minister of Malaysia, Dato' Seri Dr Mahathir Mohamad for his Foreword.

This publication serves as a testimony to the efforts of the many who contributed towards its success and, hopefully, will be a useful guide for anyone interested in learning more about Malaysia. I hope this publication will provide some useful ideas and complement the reader's knowledge of the strategic challenges, future prospects and business opportunities in Malaysia.

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ECONOMIC DEVELOPMENT





1

DEVELOPING WORLD-CLASS MALAYSIAN BRANDS

Rafidah Aziz

UNDER the Seventh Malaysia Plan, a major future challenge faced by the nation is to encourage a global approach to industrialisation to enable firms to venture into large-scale operations so that the benefits of economies of scale can be enjoyed through increased production for export to the world market.

During the Seventh Malaysia Plan period, the export-oriented strategy will continue to be emphasised. The liberalisation of the international trading environment and the removal of the GSP schemes by the United States of America in 1997 will provide both opportunities and challenges for the country's export. In this respect, there is still considerable scope for the expansion of manufactured exports, considering that the country's share of manufactured exports in the global market is only about 1.0 per cent. In order to sustain the growth of export-oriented industries, there is a need to build upon existing comparative advantages, diversify exports and penetrate new markets.

Malaysian manufacturers need to strengthen their efforts in promoting Malaysian brands and designs in order to gain greater market niches. Intensive advertising and marketing need to be undertaken to promote Malaysian brand names. Brand promotion will provide opportunities for Malaysian products to penetrate higher segments and specific niches in the international market. Malaysian manufacturers must target production for the global market. There is a need for industries to emphasise R&D and quality standards as well as intensify efforts on a sustained basis in product development and process innovation. The strategic changes in production will have to be accompanied by concerted and aggressive marketing of Malaysian products, using their own brand names in traditional and new markets.

Malaysian manufacturers have successfully produced a wide range of quality branded products, for foreign brand owners. Malaysian manufacturers are already producing popular brand names, like Ralph Laurent, YSL, Van Heusen and Christian Dior under contract manufacturing. The fact that Malaysian companies can produce for established brand names, reflect their capabilities.

Malaysian manufacturers have proved their capabilities to market quality products, using their own brand names. As an illustration, Malaysian manufacturers in the garment sector have been successful in producing and marketing indigenous brands such as Orlando, John Masters, Uomo, Donna and AnakKu. The time has come for more Malaysian manufacturers to come up with globally acceptable Malaysian brands. Manufacturers must be able to identify niche markets, set up their own marketing network and introduce their own indigenous brand names. To assist them, the government has set up several General Trading Companies (GTCs) from amongst large Malaysian firms, to undertake feasibility studies, fact-finding missions, establish distribution centres as well as advertise and promote the export of Malaysian products and services.

Certainly the developing and marketing of world-class Malaysian brands of products must require the necessary research into the markets for which the products are being designed. To a certain extent, such Malaysian-made commodities can benefit from the success of several export products that have become synonymous with Malaysia and that have earned strong market acceptance. In other words, they can ride on the goodwill already generated by Malaysian-made products which already are enjoying successful market niches abroad.

However, competition dictates that the process of creating a strong awareness of and confidence in Malaysian brands must be a continuous one, with the main objective of making those products synonymous with quality, reliability and value for money. In particular, care should be taken to identify and cater for whatever unique characteristics of the markets being targeted, to ensure market acceptability and avoid any sensitivities resulting from cultural, religious or any set of local factors.

It is also extremely important for manufacturers and exporters to sensitise and respond quickly to the various developments in the global market, where consumers and consumer lobbies are becoming more concerned about factors such as the environment, workers' rights, health and sanitary, considerations and protection of the flora and fauna.

Thus increasingly, manufacturers must monitor these new developments, to ensure conformity with the market requirements in terms of standards and quality. This would also require that the technology and processes used are able to meet universally-accepted standards, in addition to particular standards demanded by individual countries. A good example is the need to use acceptable substitutes for ozone-depleting substances, and non-biodegradable packaging materials in the process of making some electrical and consumer goods. Today a new standard, the ISO 14000 series is being mooted for application to protect the global environment, and thus, manufacturers must be ready to accommodate such new developments.

Malaysia has the potential to make an impact on the regional and global markets with a wide range of Malaysian-made products that carry with them world-class Malaysian brands. What is important is that manufacturers really adopt a global perspective of manufacturing and marketing operations, investing in the right type of technology and processes that can create highly efficient production as well as in R&D in order to develop the right type of products and the most suitable Malaysian brands. If we are able to do this, Malaysian products will then be able to gain strong footholds in the international market.



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2
SUSTAINABLE FOREST
MANAGEMENT IN MALAYSIA

Lim Keng Yaik

EVER since the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro, Brazil in June 1992, forestry issues have been very much in the forefront of international debates on global economic and environmental matters. In this connection, global deforestation and related problems such as environmental degradation and the conservation of biodiversity are now seen as issues that require global remedial efforts that transcend national boundaries. Thus the management of forests, is subjected to close scrutiny. Calls for sustainable forest management have now become the order of the day, with tropical forests in particular coming under intense pressure for compliance. Countries with such forests have been and continue to be berated with allegations of vast deforestation, over-exploitation and uncontrolled destruction of their forest resources.

One of the most negative consequences of the above-mentioned sequence of events is the linkage of trade with the issue of sustainable forest management. This has led to unilateral actions such as bans and boycotts against tropical timber and timber products in many of the developed countries in the North which impede trade for those in the South. These actions are clearly discriminatory and protectionist in nature and very often are based on misinformation and misinterpretation of facts concerning tropical forests. Even more insidious are the various attempts by certain parties to list so-called endangered species of timber in Appendix 2 of the Convention on International Trade in Endangered Species (CITES), while other more subtle measures like linking trade with environment and social clauses (including the rights of forest dwellers) will have long-term and direct impact on Third World trade in timber and other forest products.

The principle of sustainable forest management has increasingly become an imposed requirement before a country's timber and other forest products can be allowed to participate in certain segments of the international market, particularly those in the North. Radical NGOs and environmentalists continue to single out tropical forests as the main target for their allegations without understanding that sanctions and biased conditionalities impose greater burdens on tropical timber countries, depriving them of the rightful revenues from the forests. This in turn has the perverse effect of discouraging long-term investments which may add value to the very forests that such radical quarters profess to "protect", reversing the whole process of sustainability.

Sustainable management of forests must, therefore, be evaluated in a more balanced view than is being done with the current myopic vision that certain radical quarters possess. It must balance the many functions of the forests and not tilt the scales totally in favour of just conservational and environmental considerations, without sufficient regard for the economic realities of Third World countries. Sustainable forest management must be holistic in its approach and should cover not only tropical forests but all types of forests, temperate and boreal included. Blaming all the environmental ills of global warming on tropical forests, which cover only 7 per cent of the earth's surface, is no panacea as it will work against sustainable forest management in that the boycotts of tropical timber will reduce the means for those very countries to institute sustainable forest management.

Malaysia is as concerned as other nations over environmental degradation and the urgent need to arrest this process of decline in order to conserve the environment as we develop. Malaysia is committed to manage her forests in a sustainable manner not just for economic reasons but also for maintaining environmental stability and ecological balance. To achieve this, Malaysia is committed to maintain 50 per cent of its land area under forest cover. With a land mass of 32.9 million hectares, the natural forests base is 18.9 million hectares. Out of this, a total of 14.1 million hectares of natural forests have been designated as Permanent Forest Estate or PFE which will be managed to ensure that a proper balance for various purposes such as production, protection, social and educational objectives is achieved. In addition, 3.39 million hectares have also been allocated for forest protection in the form of national parks, wildlife sanctuaries and nature reserves. These protected areas

bear testimony to Malaysia's commitment to the maintenance of suitable habitats for flora and fauna to ensure the preservation of biodiversity.

In the PFE designated as Production Forests, commercial logging is undertaken on a rotational cycle, under a sustained-yield management system. Only a few mature trees (7 to 12 trees per hectare) are earmarked for felling at each rotational round of harvesting thus giving the logged over area time for recovery and regeneration before the subsequent round of harvesting. Under this selective logging system, Malaysian forests have the ability to return to their former eco-balance, thereby allowing better biological functioning of the forests.

Besides the natural forest base, Malaysia has also established a total of 0.17 million hectares of forest plantations as well as 4.8 million hectares of agricultural tree crops which are similar to reforested land. These forests and tree crop plantations are an integral part of sustainable forest management as they represent an important alternative source of renewable timber and fibre materials, which can contribute to reducing the pressures on natural forests. Taking these plantations into consideration, the total area under tree cover in Malaysia is estimated to be 23.86 million hectares or 72.6 per cent of its land area.

Since the turn of the twentieth century, Malaysia has introduced a systematic and sustainable yield policy with regard to the management of her forests with the establishment of the Forestry Department in 1901. Over the years, ecologically and environmentally-sound forest conservation and management policies have been developed to ensure that forest resources in the country are managed for a sustainable yield of timber and non-timber products, the enhancement of climatic stability and ecological balance as well as the safeguarding of water resources and conservation of biodiversity. This is evident in the various legislations promulgated over the years to strengthen the institutionalisation, management and utilisation of forests. Thus, a strong institutional framework has been established between the State governments (under which forest jurisdiction lies) and the Federal Government which is responsible for the country's national policy. In this regard, the National Forestry Council (NFC) was established in December 1971, comprising the Chief Ministers of the thirteen states and chaired by the Deputy Prime Minister. The NFC provides a vital forum for the formulation of forest policies which are coordinated to be consistent with the national goals of sustainable forest management.

In line with the country's aspirations, a National Forestry Policy was promulgated and approved by the NFC in 1977. This policy paved the way for greater uniformity in the implementation of strategies for the achievement of forest conservation, management and development in the country. The Policy represents an important legislation, which is unequivocal in maintaining that forest management must fulfil environmental and conservational needs besides meeting rational economic production goals. The balance that must be achieved among these objectives is thus spelt out in distinct terms in the Policy through the multi-pronged strategies embodied therein. Under the Policy, strategic and sufficient areas are allocated not just for production but for protection as well as social and educational needs. In tandem with this Policy, enactments and rules were formulated and enforced at the various state and district levels to give substance to the national stance.

To further strengthen the country's capacity to implement sustainable forestry practices, a National Forestry Act was subsequently formulated and passed by Parliament in October 1984. In Sabah, the Sabah Forest Enactment 1968 provides the legal backing to ensure that the status of the PFE is secured while in Sarawak, the Sarawak Forest Ordinance 1954 provides the necessary legal framework. The current enforcement of these legislations will go a long way towards the achievement of national objectives, as they now embody a vital change in the philosophy of forest management, away from just ensuring sustainable yield to sustainable management. Henceforth, forest management will be judged not just on the basis of the forests' capacity to produce output in perpetuity, but more so on how the forests are managed to achieve the ever so delicate balance among its various functions. As we move towards the 21st century, the dictates of these multi-varied functions will assume greater importance, particularly those pertaining to environmental and conservational considerations.

The National Forestry Policy was revised in 1992 to accord greater emphasis for environmental protection and the conservation of biological diversity. Furthermore, the National Forestry Act 1984 was amended to strengthen its effectiveness in dealing with forest encroachment and illegal logging. Thus the penalty for any forest offence has been increased from a maximum of RM10,000 or imprisonment for a term not exceeding 3 years to a maximum of RM500,000 and imprisonment not exceeding 20 years with a mandatory imprisonment of at least one year. Provi-

sion for the Police and Armed Forces to undertake surveillance of forestry activities was incorporated in the new Act and this, together with the stiff penalties, have helped to curb illegal logging and forestry encroachment.

As a member of the International Tropical Timber Organisation (ITTO), Malaysia is fully committed to the achievement of sustainable forest management by the year 2000. In this respect, Malaysia has taken several measures to operationalise the ITTO guidelines for the sustainable management of Natural Tropical Forests and its criteria for the Measurement of Sustainable Tropical Forest Management. Towards this end, a National Committee on Sustainable Forest Management in Malaysia has been established in 1994 under the Ministry of Primary Industries to ensure that the criteria, indicators and activities related to sustainable forest management are implemented. The National Committee has also formulated a total of 88 activities, based on 5 criteria and 27 indicators to operationalise the ITTO criteria at the national level. Of these, 64 activities are considered priority activities while 20 others have been identified as the minimum required to achieve sustainable forest management. At the same time, steps have also been taken to identify 48 activities under 6 criteria and 23 indicators for the Forest Management Unit (FMU) level. These activities will be tested on the ground to establish their applicability. Institutional plans and capacity-building are currently being undertaken to monitor the implementation of these activities at the state and FMU level.

In recognition of the need to strengthen sustainable forest management, Malaysia has also undertaken the critical step to reduce the annual coupe or allowable cutting rate in the country. Thus, the annual coupe will be reduced from 52,250 hectares per annum for Peninsular Malaysia during the Sixth Malaysia Plan (1991-1995) to 46,040 hectares per annum during the Seventh Malaysia Plan (1996-2000). This planned reduction in logging rate will help to ensure that the extraction of forest resources is in line with the sustainable capacity of the forests.

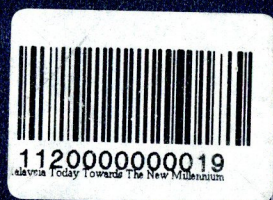
The tropical rainforests of Malaysia are a unique natural heritage which has evolved over millions of years. To conserve this invaluable forest resource, Malaysia has established a network of protected areas for the protection of biological diversity such as national parks, wildlife reserves and sanctuaries, nature parks, bird sanctuaries and marine parks, some of which have been set up since the 1930s. Currently, Malaysia has

Malaysia's economic transformation has been nothing short of remarkable. Within the span of a generation, Malaysia has become a newly-industrialised country with exports outstripping agricultural produce. Malaysia has become the world's 19th largest trading nation in less than 40 years of independence.

The push towards high-technology industries and away from labour-intensive assembly-line operations brings forth new challenges for Malaysia. At the same time, new stresses and strains have emerged as a result of the nation's economic success. The acute labour shortage, for instance, has caused wage costs to spiral, whilst dependence on foreign labour has resulted in social problems.

MALAYSIA TODAY TOWARDS THE NEW MILLENNIUM provides a multi-faceted overview of Malaysia's vision, hopes, strategies and direction. By chronicling Malaysia's achievements and successes, it provides an insight into the nation today and its future direction. By delving into areas as diverse as economics, infrastructure, industry, defence and foreign policy, and the Malaysian experience, it paints a picture of far-sighted strategic thinking and planning, determined leadership and the search for solutions to age-old problems. In order to remain globally competitive, Malaysia will have to depend on its ability to promote new sources of growth. Capital-intensive and high value-added technology-based industries will be the cornerstone of its economic development strategy.

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