

**Chapter I**

**Policy Objectives and  
Framework**

## CHAPTER I

# Policy Objectives and Framework

### I. INTRODUCTION

1.01 The Sixth Malaysia Plan, covering the period 1991-95, is the first phase in the implementation of the Second Outline Perspective Plan (OPP2), 1991-2000. The OPP2, which embodies the National Development Policy (NDP), sets the broad objectives, strategies and targets that will guide the development of the nation in the nineties. The Sixth Plan elaborates the strategies as well as the programmes and projects designed to achieve the objectives of NDP.

1.02 With the launching of the Sixth Plan, Malaysia now stands poised for another period of sustained social and economic development in the new decade of the nineties. Since independence in 1957, the country has achieved remarkable progress in transforming the economy and raising the standard of living of the people through a series of five-year development plans. These remarkable achievements have been most evident during the last twenty years under the New Economic Policy (NEP), when the national development programmes were considerably expanded to undertake the ambitious tasks of eradicating poverty and restructuring society so as to eliminate the identification of race with economic function. The overall progress in achieving the objectives of NEP, as shown by the reduction in income inequalities and the advancement made by Bumiputera in the modern sectors of the economy, has strengthened national unity in our multi-racial society and provided the nation with a much higher level of social and political stability compared with the situation in 1970. This stability, together with the confidence it generates on the future prospects for the country, provides a strong foundation for the development of the economy and the continued prosperity of the people.

1.03 To be sure, there will always be challenges and uncertainties facing the economy but with internal political and social stability and the

willingness to implement policies which enable the economy to adjust and adapt to the changes around it, Malaysia has shown that it has the capacity to minimize the impact of adverse developments on the country's growth prospects. This capacity of the economy to respond to policies can be clearly seen from the recent experience during 1985-86 when the country went through the worst recession in its post-independence history. Yet, with determined efforts to introduce structural adjustments towards liberalization and deregulation, the economy turned around rapidly from 1987 onwards to record unprecedented growth rates. As a result, the performance of the economy for the 1986-90 period, exceeded the Fifth Plan targets, thus enabling it to play an important role in achieving the objectives of NEP.

1.04 The main thrust of the Sixth Plan is to sustain the growth momentum and manage it successfully so as to achieve a more balanced development of the economy. The emphasis on 'balanced development' is based on the recognition that while there has been progress in economic growth and distribution, the quality of the growth process needs to be improved to make it more broad-based. The strategy for balanced development will, therefore, encompass policies to diversify the industrial base, enhance human resource development, promote technological upgrading and reduce structural imbalances among sectors and regions in the country. These strategies will strengthen the linkages in the economy and bring about a more integrated process of growth and development so as to enable it to contribute more effectively towards achieving the objective of NDP.

## II. NATIONAL DEVELOPMENT POLICY

1.05 The objective of NDP is to attain *balanced development* in order to create a more united and just society. NDP which emphasizes *growth with equity* will enable all Malaysians to participate in the mainstream of economic activities, thereby ensuring political stability and national unity. Building upon the ongoing thrust of NEP in eradicating poverty and restructuring society, NDP will encompass the following critical aspects:

- o *striking an optimum balance between the goals of economic growth and equity;*
- o *ensuring a balanced development of the major sectors of the economy so as to increase their mutual complementarities to optimize growth;*
- o *reducing and ultimately eliminating the social and economic inequalities and imbalances in the country to promote a fair and more equitable sharing of the benefits of economic growth by all Malaysians;*

- o *promoting and strengthening national integration by reducing the wide disparities in economic development between states and between urban and rural areas in the country;*
- o *developing a progressive society in which all citizens enjoy greater material welfare, while simultaneously imbued with positive social and spiritual values, and an increased sense of national pride and consciousness;*
- o *promoting human resource development including creating a productive and disciplined labour force and developing the necessary skills to meet the challenges in industrial development through a culture of merit and excellence without jeopardizing the restructuring objectives;*
- o *making science and technology an integral component of socio-economic planning and development, which entails building competence in strategic and knowledge-based technologies, and promoting a science and technology culture in the process of building a modern industrial economy; and*
- o *ensuring that in the pursuit of economic development, adequate attention will be given to the protection of the environment and ecology so as to maintain the long-term sustainability of the country's development.*

1.06 The goals of balanced development enunciated above are based on the following considerations. *Firstly*, the principle of growth with equity is fundamental to ensure the realization of a fair and equitable distribution of national wealth. *Secondly*, a balanced societal development is conducive to the maintenance of social and political stability. *Thirdly*, the nurturing and moulding of a Malaysian society with high moral values and ethics as well as positive attitudes are fundamental towards the creation of a responsible, resilient, progressive and caring society. *Fourthly*, prudent management of natural resources and the ecology as well as preservation of natural beauty and clean environment are important to improve the quality of life for the present as well as future generations. The balanced development of the economy is essential to ensure stable growth, minimize social conflicts, promote racial harmony and enhance national unity.

1.07 NDP will rely more on the private sector to be responsive and proactive in the attainment of the nation's socio-economic objectives. This role entrusted upon the sector will require a greater sharing of the social responsibility in managing growth that can generate sufficient opportunities for equitable distribution of benefits among all Malaysians. The public sector will support these efforts by focussing on further improving the environment for growth and the provision of adequate social and physical infrastructures.

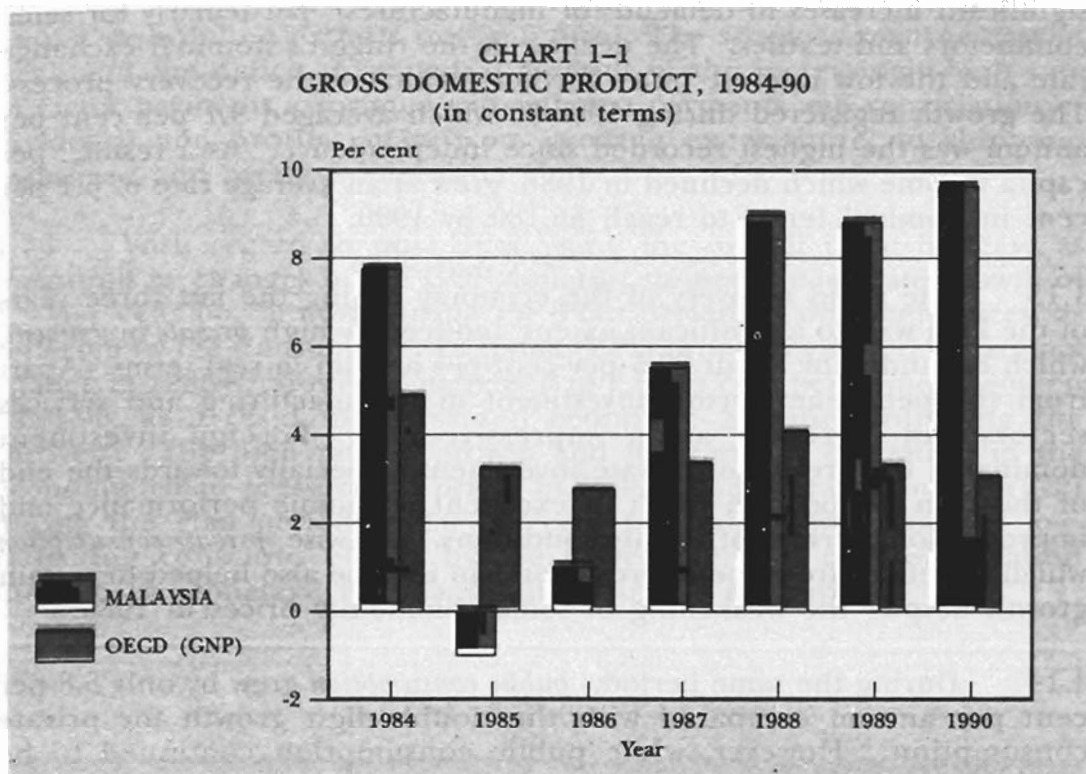
### III. REVIEW OF DEVELOPMENT PERFORMANCE

1.08 During the Fifth Plan period, the economy experienced extreme variations in its growth performance, ranging from the most severe recession at the beginning of the Plan to the boom conditions during the last three years. The world economy, which continued to experience sustained growth, has facilitated the expansion of output and trade as well as investment and capital flows. Aside from strong growth in the industrialized countries, the period also witnessed rapidly increasing domestic demand in the Asian Newly Industrialized Economies (NIEs). These developments have provided a favourable climate for the expansion of the Malaysian economy. As the economy experienced rapid economic growth, signs of overheating such as higher inflation rates, tighter labour market conditions, bottlenecks in certain infrastructural facilities as well as high capacity utilization in most industries became evident.

#### Macro-economic Progress

1.09 The economic performance over the Fifth Plan period had been commendable. Overall, the Gross Domestic Product (GDP) in real terms grew by 6.7 per cent per annum compared with the Fifth Plan target of 5.0 per cent. This remarkable performance was due to the successful implementation of adjustment measures undertaken since 1983 to consolidate the public sector and reduce its budgetary deficits. In addition, the liberal trade and investment policies introduced at the height of 1985-86 recession had significantly improved business confidence and increased private investment. These factors, combined with the improvement in the external environment, had brought about a speedy recovery from the recession.

1.10 The recession at the beginning of the Fifth Plan period was the result of both external and internal factors. There was an across-the-board decline in commodity prices and a weaker demand for the country's manufactured products. The terms of trade deteriorated by 4.5 per cent in 1985 and a further 14.9 per cent in 1986, resulting in a severe balance of payments problem. However, the impact of the terms of trade decline was offset by rising commodity export volumes, particularly in petroleum, palm oil and cocoa. Other factors which exacerbated the situation were the high value of the ringgit, which resulted partly from the strong inflows of official capital generated by external borrowing, and falling profitability of the tradeable sector. During the recession, there was a virtual collapse of private investment, both domestic and foreign. As a result, GDP registered a negative growth of 1.1 per cent in 1985 and improved only marginally to 1.2 per cent in 1986, as shown in *Chart 1-1*.



1.11 The adjustment measures undertaken by the Government since 1983 to consolidate public finances through budgetary control were continued even during the recession by avoiding counter-cyclical policy to stimulate the economy. The growth of public sector operating and development expenditures was restrained in order not to exacerbate the external debt situation. In addition, the Government undertook several administrative and institutional reforms designed to upgrade the efficiency of the public sector and facilitate private sector activities. A key element of this consolidation process was the speeding up of the privatization efforts as well as the reduced involvement of the public sector in productive activities that compete directly with the private sector. In addition, an extensive programme of liberalization and deregulation was implemented to encourage private investment as well as strengthen international competitiveness.

1.12 These adjustments, aided by improvements in the external environment, led to the rapid recovery in 1987. External demand picked up briskly, leading to improvement in commodity prices as well as

significant increases in demand for manufactures, particularly for semi-conductors and textiles. The decline in the ringgit's nominal exchange rate and the low interest rates further facilitated the recovery process. The growth registered during 1988-90 which averaged 9.1 per cent per annum was the highest recorded since independence. As a result, per capita income which declined in 1986, grew at an average rate of 6.1 per cent in nominal terms to reach \$6,180 by 1990.

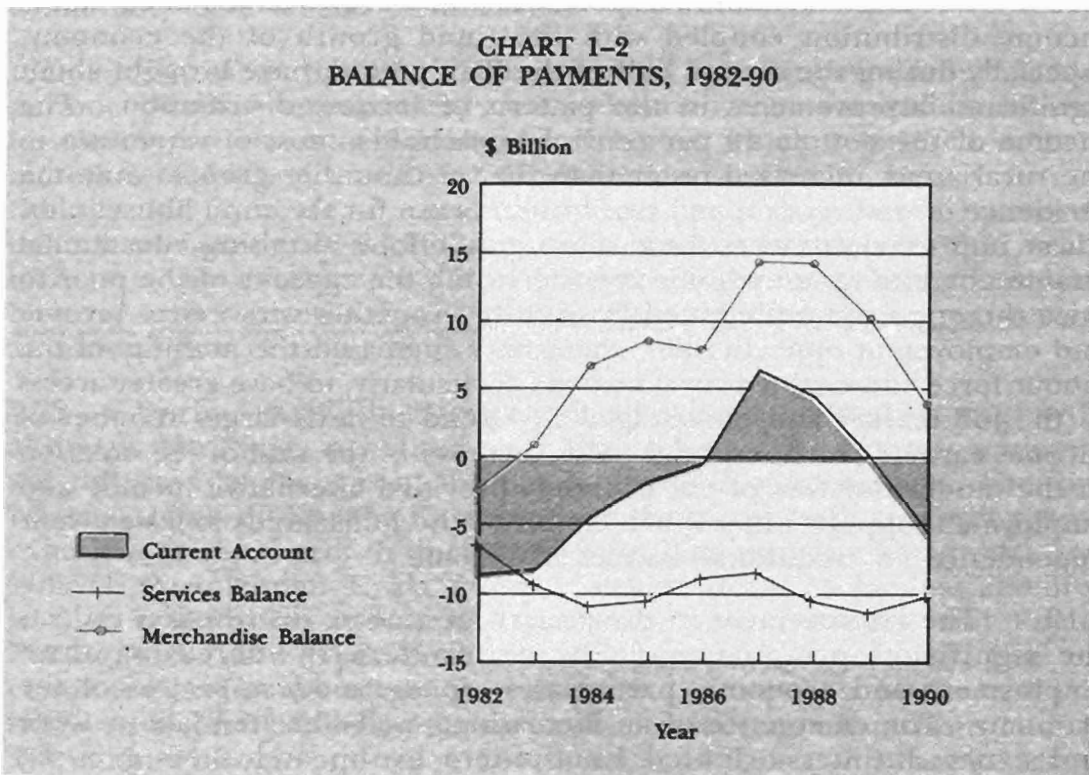
1.13 The rapid recovery of the economy during the last three years of the Plan was, to a significant extent, induced by high *private investment*, which expanded by about 27.5 per cent per annum in real terms. Apart from the petroleum sector, investment in manufacturing and services sectors had increased at an impressive rate. Foreign investment dominated the growth of private investment, especially towards the end of the Plan period as a result of excellent economic performance and improved long term profitability conditions. Likewise, *private consumption* which benefited from the improvements in income also helped to sustain growth despite the weakening of some commodity prices in 1989.

1.14 During the same period, *public consumption* grew by only 5.8 per cent per annum compared with the double-digit growth for private consumption. However, while public consumption continued to be restrained, development spending on projects which was shelved during the recession was stepped up to accommodate the economic turnaround. As a result, *public investment* grew by 15.1 per cent per annum during 1988-90 compared with the negative growth of 17 per cent recorded in 1987. The higher level of public investment was needed to ease constraints and bottlenecks in certain sectors of the economy, especially in infrastructural facilities, arising from the rapid recovery. This, however, did not constitute a deliberate expansionary stance of the Government.

1.15 The rapid growth of merchandise exports since 1987 led to improvements in the *trade balance*, as shown in *Chart 1-2*. The overall favourable position of the current account balance experienced in 1987-88 was, however, short-lived as a result of sharp increases in imports during the last three years of the Plan. As growth in imports outpaced the growth in exports and as the services balance continued to deteriorate, the record surplus of \$6.6 billion or 8.9 per cent of Gross National Product (GNP) in the current account achieved in 1987 was rapidly eroded to a deficit of \$5.2 billion or 4.8 per cent of GNP in 1990. During the Fifth Plan period, the growth of merchandise imports averaged 21 per cent per annum, accounted mainly by imports of intermediate and capital goods. This, however, constituted productive

spending which would create additional capacities that contribute to output growth and exports in the future. The *services account* remained weak and the deficit worsened as a result of the increasingly high rate of factor payments associated with interest payments and repatriation of dividends and profits, apart from growing expenditure on shipping, insurance and overseas education.

1.16 With regard to *price development*, the overall price increase as measured by changes in the GDP deflator, showed a moderate growth of 1.3 per cent per annum during the Plan period. Consumer prices, as reflected by the Consumer Price Index (CPI), which registered a marginal change in 1986-87, however, increased to 2.8 per cent per annum between 1988-90, as a result of increased economic activities following the recovery. The high rate of growth and full capacity utilization in the economy led to pressure on prices in 1990. The overall growth in CPI during the Plan period at 2.0 per cent per annum was, however low, reflecting conscious efforts by the Government to control inflation through its monetary, fiscal and administrative measures.





1.17 On the *employment* side, the growth trends reflected the business cycle as experienced during the Fifth Plan period. Despite rigidities in the labour market which made it more costly for employers to retrench workers, the number of retrenchment was high during the recession. This, coupled with the slower job creation, led to a rise in the unemployment rate from 5.8 per cent in 1984 to a peak of 8.3 per cent in 1986. Nevertheless, about one million new jobs were created throughout the Plan period, representing an increase of about 26 per cent over the preceding Plan period. More than a third of this was in the manufacturing sector which accounted for 19.5 per cent of total employment in 1990 compared with 15 per cent in 1985, while the services sector, including government services, accounted for almost half of the new jobs created. As a result of these developments, the unemployment rate declined to 6.0 per cent in 1990. However, the unemployed is defined to include those who are not actively looking for jobs and if this category of unemployed is excluded from the estimate, then the unemployment rate is even lower. The rapid decline in the rate of unemployment led to the tightening of the labour market which resulted in labour shortages and upward pressure on wages.

#### **Distributional Achievements**

1.18 The implementation of policies and strategies aimed at equitable income distribution coupled with the rapid growth of the economy, especially during the second half of the Plan period, have brought about significant improvements in the pattern of income distribution. The income of the bottom 40 per cent of households, most of whom are in the rural areas, increased faster than that of the other groups while the incidence of poverty dropped significantly, even for the rural households. These improvements were the result of past efforts in raising educational attainment among households and increasing the capacity of the poor to seize the opportunities created by growth. Together with better income and employment opportunities, these have increased the mobility of the labour force and enabled rural workers particularly, to have greater access to the job market and encouraged the trend towards larger number of income earners per household. The increase in the rate of job creation in the modern sectors of the economy provided alternative income and employment opportunities which enabled rural households to lessen their dependence on traditional sources of income.

1.19 The improvement in the pattern of income distribution reflects the significant progress made by Bumiputera in increasing their employment and economic participation in the modern sectors of the economy. The emergence of an increasingly well-educated labour force and a new business-oriented Bumiputera group and their growing

participation in modern economic activities, have enabled Bumiputera's share of income in the higher brackets of the income distribution to improve.

1.20 The overall mean household income grew by 2.7 per cent per annum during the period. The bottom 40 per cent of households of all ethnic communities improved their income share from 12.8 per cent to 14.5 per cent in the Peninsula, 12.8 per cent to 13.6 per cent in Sabah and 12 per cent to 14.4 per cent in Sarawak. These are reflected by improvements in the Gini coefficient from 0.480 to 0.445 for the Peninsula, 0.491 to 0.459 for Sabah and 0.498 to 0.448 for Sarawak. In terms of inter-ethnic income differences, the ratio of mean income for Bumiputera compared with that of Chinese in the Peninsula improved from 56.7 per cent in 1985 to 58.8 per cent in 1990. At the same time, the ratio of the mean income of Indians to Chinese also improved from 72.8 per cent to 75.9 per cent. In addition, the ratio of rural household income to that of urban household increased from 53.5 per cent to 58.3 per cent, indicating the narrowing of income differentials between rural and urban households. Although the socio-economic positions of all communities have improved, the position of certain groups within the Bumiputera community, such as *Orang Asli* and the indigenous groups in Sabah and Sarawak, and the Indians within the non-Bumiputera community have lagged behind.

1.21 The mean household income of all states improved during the period. Marked improvements were experienced, particularly by the less-developed states of Kedah and Kelantan which registered annual increases of 4.5 per cent and 3.0 per cent, respectively, largely due to the sizeable increase in rural household incomes. These increases compared favourably with the overall annual increase in the mean income. The developed state of Wilayah Persekutuan Kuala Lumpur, however, experienced a slower growth of household incomes, registering an annual rate of only 1.8 per cent.

1.22 During the Fifth Plan period, all states benefited from growth although some states benefited more than others. The progress achieved was reflected by changes in the per capita GDP of each state. The low income states of Kedah, Kelantan and Perak as well as Terengganu experienced rapid growth during the Fifth Plan period. The growth for Wilayah Persekutuan Kuala Lumpur slowed down as land availability further constrained industrial expansion, while Selangor and Pulau Pinang grew at 8.8 per cent and 7.5 per cent respectively, due to continued preference of private investors to locate their plants in these states on account of their superior physical and economic infrastructures. The middle-income and resource-rich states of Sabah and Sarawak grew

at 6.7 per cent and 5.0 per cent, respectively, while the other middle-income states of Melaka, Negeri Sembilan, Pahang and Perlis grew satisfactorily. Johor, because of its proximity to Singapore, benefited from the spillover of economic activities from Singapore and grew at a high rate of 7.3 per cent per annum during the period.

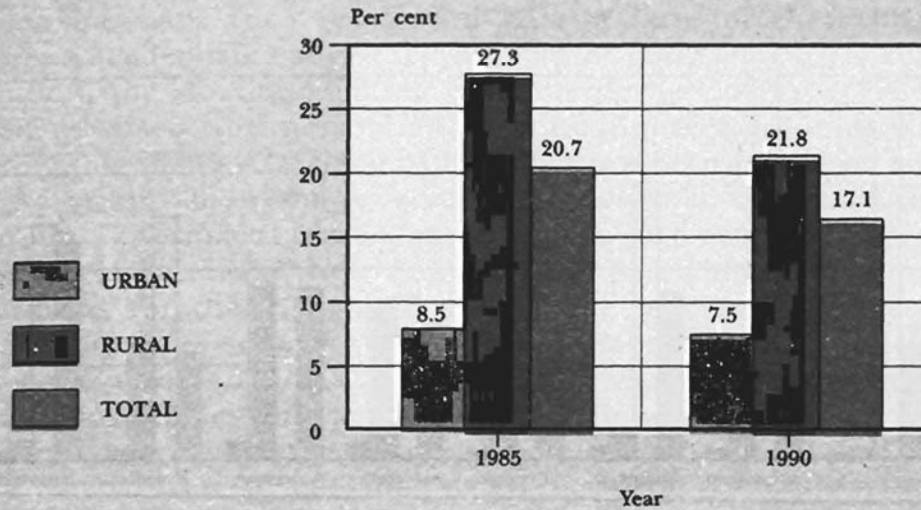
1.23 During the Fifth Plan period, even though the less-developed states generally performed well, regional disparities among states, continued to exist. This was due partly to the differences in the availability of adequate physical and social infrastructures among states which have affected the attractiveness of states to investors. Private investors continued to prefer to locate their industries in the Klang Valley, Pulau Pinang and Johor which have better infrastructural facilities and easier access to ports and airports.

1.24 The achievements in poverty eradication showed that the overall incidence of poverty declined from 20.7 per cent in 1985 to 17.1 per cent in 1990, as shown in *Chart 1-3*, resulting in a reduction of about 30,000 households from poverty. In the Peninsula, the overall incidence of poverty declined from 18.4 per cent to 15 per cent. The incidence of poverty in Sarawak declined from 31.9 per cent to 21 per cent while that of Sabah, however, increased slightly from 33.1 per cent to 34.3 per cent. The slight increase for Sabah was partly due to the inclusion of temporary immigrants in the estimation of poor households. Overall, the continued provision of physical and social amenities had improved the quality of life of the poor.

1.25 Of the remaining 619,400 poor households in 1990, about 143,100 households were the hard-core poor. Most of these households were located in the remote traditional *kampung* and settlements, in plantations and areas formerly known as the new villages as well as in some urban areas. Generally, these households have only limited access to basic services and amenities such as well-equipped schools, suitably trained teachers and more conducive environment for learning.

1.26 Progress in attaining the objective of restructuring of society in terms of employment balance among ethnic groups was affected during the early years of the Plan by the slower growth of the economy and limited employment opportunities. However, following the economic recovery and the rapid expansion of investment activities, further progress was achieved. Of the total 996,400 new jobs generated during the period, Bumiputera gained as much as 60 per cent compared with Chinese, 32 per cent and Indians, 7.0 per cent. Most of the additional employment for Bumiputera originated in the manufacturing, agriculture and commercial sectors. In terms of occupational categories, the majority of Bumiputera workforce was still in the lower-paid job

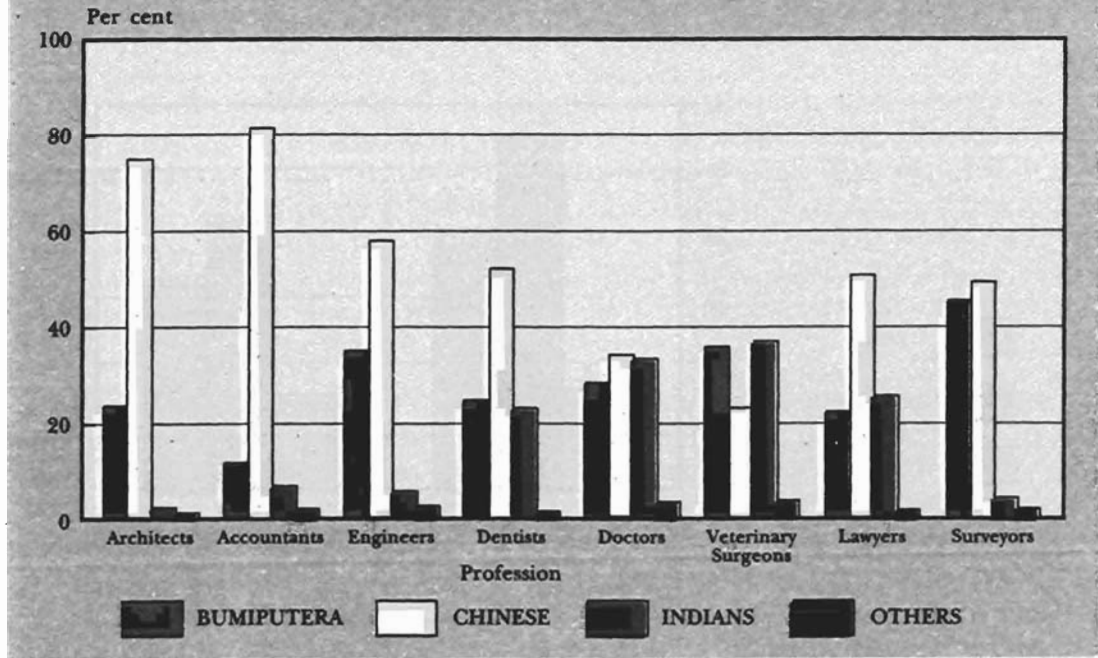
CHART 1-3  
INCIDENCE OF POVERTY, 1985-90



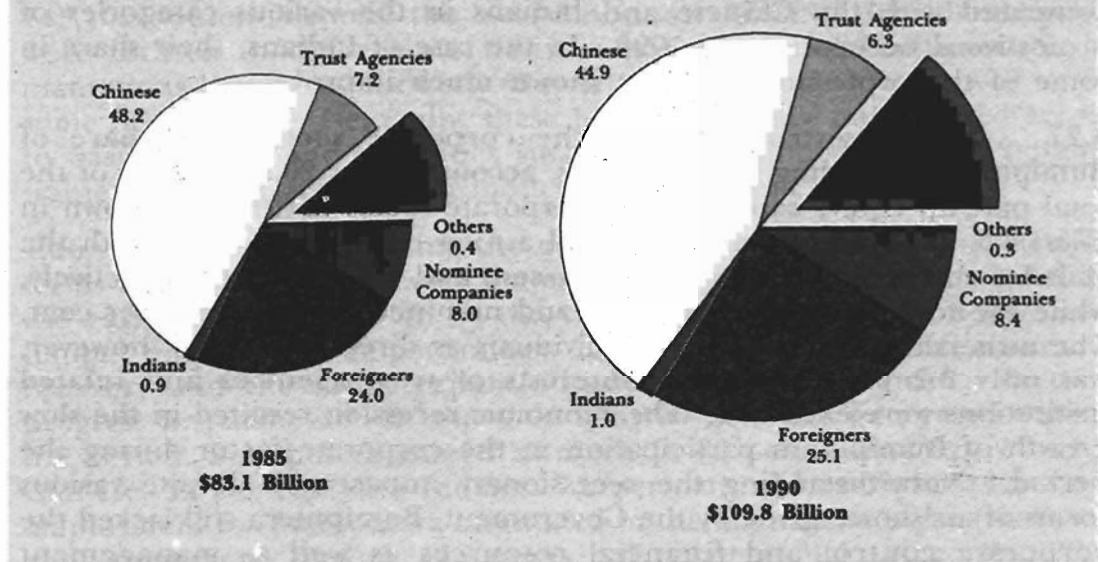
categories. However, their share in certain higher-paying professional occupations such as engineers, accountants and architects increased from 22.2 per cent to 29 per cent. *Chart 1-4* shows the position of Bumiputera compared with the Chinese and Indians in the various categories of professional occupations in 1990. In the case of Indians, their share in some of the professions has not shown much improvement.

1.27 In the restructuring of the corporate sector, the share of Bumiputera, including trust agencies, accounted for 20.3 per cent of the total paid-up equity capital in the corporate sector in 1990, as shown in *Chart 1-5*. The non-Bumiputera held a total of 46.2 per cent, with the Chinese and Indians having 44.9 per cent and 1.0 per cent, respectively, while the foreigners, 25.1 per cent and nominee interests, 8.4 per cent. The ownership of Bumiputera individuals as direct investors, however, was only 8.2 per cent if the interests of trust agencies and related institutions were excluded. The economic recession resulted in the slow growth of Bumiputera participation in the corporate sector during the period. Notwithstanding the recessionary impact and despite various forms of assistance given by the Government, Bumiputera still lacked the corporate control and financial resources as well as management expertise in the sector.

**CHART 1-4  
REGISTERED PROFESSIONALS  
BY ETHNIC GROUP, 1990**



**CHART 1-5  
OWNERSHIP OF SHARE CAPITAL BY ETHNIC GROUP, 1985-90  
(per cent)**



1.28 During the Fifth Plan period, despite progress achieved in the implementation of the Bumiputera Commercial and Industrial Community (BCIC), the overall impact in terms of creating a viable participation of Bumiputera in the modern sectors of the economy remained limited. The major factors that contributed to the low performance were the small and narrow base of their business enterprises, inadequate experience and lack of management capabilities. In addition, the slowdown in the economy during the recession years affected adversely the performance of Bumiputera businesses, thus indicating that the development of BCIC has not been placed on a viable basis. As part of the overall programme to assist their businesses to turn around, the Government created special funds, such as the Entrepreneur Rehabilitation Fund and New Entrepreneur Fund, during the period. Furthermore, for the small-scale traders, the maximum loan ceilings offered by agencies such as *Majlis Amanah Rakyat* (MARA) and Credit Guarantee Corporation (CGC) were also increased. Despite the wide range of programmes and services to assist Bumiputera entrepreneurs, these programmes have not been well-coordinated to ensure their full success. Notwithstanding this, the limited success of Bumiputera was also partly due to their attitude and their inability to take full advantage of the opportunities made available to them.

#### **IV. DEVELOPMENT FRAMEWORK FOR THE SIXTH PLAN**

1.29 The overall prospect for the Sixth Plan is expected to be favourable, largely on account of increasing internal strength and resilience of the economy as reflected by its high rate of savings, improving factor productivity and greater competitiveness. The continued price and exchange rate stability coupled with the strengthening of the financial infrastructure as well as improvements in the quality of human resources will be important factors contributing to the increasing strength of the economy.

1.30 While the medium-term prospects for the Malaysian economy will continue to depend on the performance of the major industrial countries and the maintenance of an open and liberal trading regime, domestic policies will aim at positioning the economy to fully tap the opportunities for growth. The emphasis will be on managing the success already achieved and enhancing the growth momentum to bring about a better distribution of income opportunities and further improvements in the quality of life in line with NDP.

## **International Economic Outlook**

1.31 The medium-term prospects for sustained growth in the world economy will be influenced by current international efforts to arrest the negative trends in the fiscal, monetary and trade fields. The persistence of the twin deficits in the United States and the prospects for a further worsening of its current account balance will have an upward pressure on real interest rates. However, the political developments in the Middle East after the Gulf War and economic reforms in Eastern Europe as well as the disarmament process currently underway between the superpowers, could release defence-related spending for other productive activities and thus expedite the stabilization efforts of the United States and other countries facing similar budgetary strains.

1.32 Developments on the trade front will give the greatest cause for concern. *Firstly*, the differences in the rate of productivity growth among the leading industrial countries and between industrial countries and the NIEs could lead to further rise in trade protectionism. *Secondly*, the trend towards bilateralism and regionalism, particularly among the major industrial countries, could adversely affect the open multilateral character of the global trading environment. *Thirdly*, an inconclusive end to the Uruguay Round of Multilateral Trade Negotiations is likely to increase protectionism and slow down the growth in world trade. These trends will adversely affect the growth prospects of both the developed and developing countries, more so the developing countries.

1.33 Most countries have, however, undertaken policy reforms to stabilize and restructure their economies by relying more on the private sector and market forces to direct the allocation of resources. The recovery in business profits and investment as well as labour productivity indicate the improvement in the efficiency of the world economy. In addition, the greater flexibility with which governments of all countries manage their economies could assist in reducing the destabilizing trends.

1.34 Given this mixed scenario, the world economy in the medium term is expected to grow at 3.3 per cent per annum. Growth in industrialized countries is expected to remain relatively robust at around 3 per cent per annum, while inflation is expected to be around 4 per cent. The economies of the East Asia region will continue to remain strong, particularly NIEs which have shown their ability to adjust successfully to adverse changes in the world economic environment. The Association of Southeast Asian Nations (ASEAN) will continue to benefit from inflows of direct foreign investment in the medium term. The

export-led growth strategies adopted by these countries, have helped to liberalize their economies and increase their internal strength to face adverse international economic developments.

### **The Malaysian Economy**

1.35 The medium-term prospects for the Malaysian economy are expected to be better than the progress achieved during the Fifth Plan period. On the external front, with the end of the Gulf War, the world economy is poised to gather momentum for further growth, with lower inflation and better outlook for the industrialized countries. While these factors will contribute to the expansion of the Malaysian economy, the nation's overall growth will be sustained largely by increases in domestic demand, particularly from private investment. Future policies, therefore, will aim at maintaining stable macro-economic environment as well as more efficient and supportive administrative and regulatory measures in order to enhance the nation's international competitiveness. As the Malaysian economy becomes more integrated with the world economies, there is a need to strengthen its internal resilience so as to minimize the impact of adverse external economic conditions and enhance its international competitiveness. Likewise, future policies will have to take into account the strengths and weaknesses existing in some sectors of the economy. During the Sixth Plan period, the Government will continue to implement structural adjustments, through further industrial restructuring, technological improvements and human resource development.

#### *Growth Prospects*

1.36 The Malaysian economy is expected to grow at an average rate of 7.5 per cent per annum in real terms over the Sixth Plan, largely from the rapid expansion of domestic activities, as shown in *Table 1-1*. The external contribution to growth will be greater than the preceding period with exports exceeding imports. GNP in nominal terms is expected to be about \$205,000 million by year 1995, almost double the current level, while the per capita income is expected to reach about \$10,200.

1.37 In terms of sources of growth, an increasing contribution will come from higher efficiency and productivity of labour and capital. In the past, the bulk of growth was accounted for by additions in factor inputs and rents from natural resources. The contribution of the *third factor*, from technological improvements, entrepreneurship and the quality of labour and capital was relatively low compared with other countries in a similar stage of development. This implies that the physical



TABLE 1-1  
GROSS NATIONAL PRODUCT BY EXPENDITURE CATEGORY, 1985-95  
(in current and 1978 prices in italics)

Expenditure Category	\$ million			Average Annual Growth Rate (%)		Contribution to Growth (%)		Share to GNP (%)			
	1985	1990	1995	Target 5MP	Achieved 5MP	Target 6MP	5MP	6MP	1985	1990	1995
Consumption	52,127	76,882	131,420	5.2	8.1	11.3	5.5	7.3	72.5	70.0	64.2
Private	38,659	51,392	70,080	3.6	5.9	6.4	3.9	4.1	73.1	67.7	64.2
Public	40,283	61,587	107,210	5.2	8.9	11.7	4.7	6.1	56.0	56.1	52.4
Investment	29,242	39,923	54,450	3.5	6.4	6.4	3.3	3.2	55.3	52.6	49.8
Private	11,844	15,295	24,210	5.4	5.2	9.6	0.8	1.2	16.5	13.9	11.8
Public	9,417	11,469	15,630	4.1	4.0	6.4	0.6	0.9	17.8	15.1	14.4
Change in Stocks	23,124	38,803	71,400	4.5	10.9	13.0	3.5	4.4	32.2	35.4	34.8
Private	17,888	25,904	36,200	2.8	7.7	7.0	2.4	2.3	33.9	34.2	33.0
Public	9,492	17,432	26,300	7.0	12.9	8.6	2.4	2.0	17.1	23.8	25.3
Exports of Goods and Non-factor Services	10,854	12,691	19,520	-0.4	3.2	9.0	0.4	0.9	15.1	11.6	9.5
Imports of Goods and Non-factor Services	8,396	8,472	9,900	-1.0	0.2	3.0	0.0	0.3	15.9	11.2	9.0
Change in Stocks	-1,757	-288	-90				0.3	0.0	-2.4	-0.3	0.0
	-1,262	-189	-50				0.3	0.0	-2.4	-0.2	0.0
Exports of Goods and Non-factor Services	42,537	90,149	156,120	3.2	16.2	11.6	10.5	8.9	59.1	82.1	76.2
Imports of Goods and Non-factor Services	31,875	62,896	85,840	4.8	14.6	6.4	9.4	5.0	60.3	82.9	78.6
Gross Domestic Product at Purchasers' Value	38,561	90,863	146,140	3.7	18.7	10.0	11.6	7.7	53.6	82.8	71.4
Net Factor Payments	30,067	60,900	78,450	2.2	15.2	5.2	9.3	3.8	56.9	80.2	71.8
Gross National Product at Purchasers' Value	77,470	114,683	212,710	5.9	8.2	13.2	8.2	13.2	107.7	104.4	103.8
Net Factor Payments	57,093	79,103	113,620	5.0	6.7	7.5	6.7	7.5	108.1	104.3	104.0
Gross National Product at Purchasers' Value	-5,508	-4,831	-7,890						-7.7	-4.4	-3.8
Net Factor Payments	-4,255	-3,238	-4,380						-8.1	-4.3	-4.0
Gross National Product at Purchasers' Value	71,962	109,852	204,820	5.0	8.8	13.3			100.0	100.0	100.0
Net Factor Payments	52,838	75,865	109,240	5.1	7.5	7.6			100.0	100.0	100.0

stock of capital in the country would have produced higher growth if capital and labour were more efficiently used. In the light of this, efforts are being made towards improving *factor productivity* through greater human resource development as well as increasing the application of science and technology (S&T) and research and development (R&D). Apart from these, improvements in infrastructural and institutional developments are also expected to contribute to output growth.

### *Sectoral Output*

1.38 Output growth during the Sixth Plan period will be led by the expansion in the secondary and tertiary sectors. The manufacturing and construction sectors are targeted to grow rapidly at an average rate of 11.5 per cent and 8.0 per cent per annum, respectively, as shown in *Table 1-2*. The *manufacturing sector* is expected to account for 32.4 per cent of total GDP by 1995, sustaining its position as the largest sector in the economy during the period. With respect to the *construction sector*, despite its anticipated rapid growth, its share in total GDP will improve only marginally.

1.39 The *agriculture sector* will grow moderately at 3.5 per cent per annum, largely from improved productivity and diversification into horticulture and other marketable crops. Its growth will be constrained by measures taken to control the exploitation of the forest resources to a more sustainable level with greater emphasis placed on downstream processing. Consequently, its share in the economy is expected to decline from 18.7 per cent in 1990 to 15.5 per cent in 1995.

1.40 The *mining sector* is projected to grow marginally at 1.5 per cent per annum, reflecting mainly policies to conserve petroleum resources to sustain output over a longer period. Increasing production of natural gas and ongoing efforts to explore and exploit other mineral resources will account for the bulk of the increase in output of this sector.

1.41 The *services sector* as a whole, is expected to grow at a higher rate of 8.0 per cent compared with 5.7 per cent during the Fifth Plan period. Within this sector, the government services are expected to grow at 4.3 per cent per annum. While this rate of growth is slightly higher than the rate of increase of 4.0 per cent during the Fifth Plan, it is significantly lower than the 7.5 per cent growth registered during the First Outline Perspective Plan (OPP1), 1971-90 period. This reflects the continuing efforts to consolidate Government's role in the economy while maintaining a higher level of services in support of private sector growth. The other services subsectors such as electricity, gas and water; transport,

TABLE 1-2  
GROSS DOMESTIC PRODUCT BY INDUSTRY  
OF ORIGIN, 1985-95

Sector	\$ million in 1978 prices			Average Annual Growth Rate (%)			Share to GDP (%)		
	1985	1990	1995	Target 5MP	Achieved 5MP	Target 6MP	1985	1990	1995
Agriculture & Forestry	11,854	14,829	17,580	2.6	4.6	3.5	20.8	18.7	15.5
Mining & Quarrying	5,958	7,688	8,280	3.1	5.2	1.5	10.4	9.7	7.3
Manufacturing	11,263	21,381	36,860	6.4	13.7	11.5	19.7	27.0	32.4
Construction	2,738	2,788	4,100	5.6	0.4	8.0	4.8	3.5	3.6
Electricity, Gas & Water	948	1,511	2,430	8.9	9.8	10.0	1.7	1.9	2.1
Transport, Storage & Communications	3,630	5,489	9,030	7.6	8.6	10.5	6.4	6.9	8.0
Wholesale & Retail Trade, Hotels & Restaurants	6,911	8,700	13,410	6.3	4.7	9.0	12.1	11.0	11.8
Finance, Real Estate & Business Services	5,121	7,650	12,070	6.8	8.4	9.5	9.0	9.7	10.6
Government Services	6,957	8,459	10,440	4.0	4.0	4.3	12.2	10.7	9.2
Other Services	1,301	1,656	2,430	4.7	4.9	8.0	2.3	2.1	2.1
(-) Imputed Bank Service Charges	1,834	4,020	7,280	5.8	17.0	12.5	3.2	5.1	6.4
(+) Import Duties	2,246	2,972	4,270	1.6	5.8	7.5	3.9	3.8	3.8
<b>Gross Domestic Product at Purchasers' Value</b>	<b>57,093</b>	<b>79,103</b>	<b>113,620</b>	<b>5.0</b>	<b>6.7</b>	<b>7.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<i>Adjusted for Import Duties less Imputed Bank Service Charges</i>									
PRIMARY SECTOR	17,942	22,223	25,190	2.6	4.4	2.5	31.4	28.1	22.3
SECONDARY SECTOR	14,102	23,853	39,900	6.1	11.1	10.8	24.7	30.2	35.0
TERTIARY SECTOR	25,049	33,027	48,530	5.8	5.7	8.0	43.9	41.7	42.7

storage and communications; and finance, real estate and business services, are expected to grow rapidly, ranging from 8.0 per cent to 10.5 per cent per annum.

### *Aggregate Demand*

1.42 The rapid expansion of the economy during the Sixth Plan will originate largely from domestic demand in response to anticipated favourable external environment, especially during the second half of the Plan period. Total investment in real terms is expected to grow at 7.0 per cent per annum, as shown in *Table 1-1*. At this rate of growth, investment as a proportion to GNP in nominal terms, will average 34.7 per cent, higher than the level of 29.6 per cent achieved during the Fifth Plan period.

1.43 *Private investment*, which is expected to grow at 8.6 per cent per annum, will account for the bulk of total investment. Its ratio to GNP is projected to average 24 per cent, higher than the 18.6 per cent achieved over the Fifth Plan period. *Public investment*, on the other hand, is expected to grow moderately at 3.0 per cent per annum, compared with 0.2 per cent during the Fifth Plan. The higher growth in public investment during the Sixth Plan will be largely for the expansion of infrastructural facilities designed to remove bottlenecks and constraints in the provision of such facilities and to support larger private investment. Notwithstanding this increase, its ratio to GNP will decline from 11.2 per cent in 1990 to 9.0 per cent in 1995, in line with the Government's policy objective of consolidating further the size of the public sector in the economy.

1.44 *Consumption expenditure* is expected to grow at 6.4 per cent per annum, reflecting improvements in the welfare and standard of living of Malaysians. The expected rate of expansion in consumption is, however, lower than the rate of growth of output, indicating an increasing trend towards greater *propensity to save* among Malaysians.

1.45 With regard to the *external demand*, the export of goods and non-factor services is expected to grow at a rate of 6.4 per cent per annum, while that of imports of goods and non-factor services will be slower at 5.2 per cent per annum. The increase in exports reflects the country's competitiveness and the drive for exports into existing and new markets. The slower growth in imports will be on account of the growing ability of domestic production to meet the demand for consumption, intermediate and to some extent, investment goods, as shown in *Table 1-3*.

TABLE 1-3  
MERCHANDISE TRADE, 1985-95  
(\$ million)

Goods	1985	Share (%)	1990	Share (%)	1995	Share (%)	Average Annual Growth Rate (%)	
							5MP	6MP
<i>E X P O R T S</i>								
Agriculture <sup>1</sup>	7,373	19.4	7,993	10.0	12,180	8.6	1.6	8.8
Forestry <sup>2</sup>	3,908	10.3	7,106	8.9	6,190	4.4	12.7	-2.7
Mining <sup>3</sup>	12,646	33.3	13,767	17.3	9,940	7.0	1.7	-6.3
Manufactures	12,471	32.7	48,047	60.4	105,830	75.0	31.0	17.0
Other Exports	1,620	4.3	2,635	3.3	7,020	5.0	10.2	21.7
<b>Total</b>	<b>38,017</b>	<b>100.0</b>	<b>79,548</b>	<b>100.0</b>	<b>141,160</b>	<b>100.0</b>	<b>15.9</b>	<b>12.2</b>
<i>I M P O R T S</i>								
Consumption Goods	6,392	21.0	17,328	21.9	21,510	16.5	22.1	4.4
Investment Goods	9,497	31.2	28,088	35.5	54,230	41.6	24.2	14.0
Intermediate Goods	14,245	46.8	32,836	41.5	53,190	40.8	18.2	10.0
Imports for Re-export	304	1.0	870	1.1	1,430	1.1	23.4	10.5
<b>Total</b>	<b>30,438</b>	<b>100.0</b>	<b>79,122</b>	<b>100.0</b>	<b>130,360</b>	<b>100.0</b>	<b>21.1</b>	<b>10.5</b>

Notes:

<sup>1</sup> Comprises rubber, palm oil, pepper and cocoa.

<sup>2</sup> Comprises sawlogs and sawn timber.

<sup>3</sup> Comprises crude petroleum, LNG and tin.

1.46 During the Sixth Plan period, the outlook for agricultural exports will be mixed. While the export volume of palm oil and cocoa will increase moderately, the export of sawlogs will experience significant decline, as shown in *Table 1-4*. In addition, the export volume of rubber will decline marginally. The decline in export volume of sawlogs and rubber will be in response to Government's policy to encourage further downstream processing. In the case of palm oil, its export volume is expected to increase at relatively slower rate of 3.4 per cent compared with 12 per cent achieved in the Fifth Plan on account of the slower growth in output.

TABLE 1-4  
COMMODITY PRODUCTION AND EXPORTS, 1985-95

Commodity	1985	1990	1995	Average Annual Growth Rate (%)	
				5MP	6MP
<b>AGRICULTURE</b>					
<b>Palm Oil</b>					
Production ('000 tonnes)	4,133	6,095	7,600	8.1	4.5
Export ('000 tonnes)	3,214	5,655	6,700	12.0	3.4
Unit Value (\$/tonne)	1,229	778	1,080	-8.7	6.8
Value (\$ million)	3,951	4,399	7,236	2.2	10.5
<b>Rubber</b>					
Production ('000 tonnes)	1,470	1,291	1,300	-2.6	0.1
Export ('000 tonnes)	1,497	1,322	1,210	-2.5	-1.8
Unit Value (sen/kg)	192	229	300	3.6	5.5
Value (\$ million)	2,872	3,028	3,630	1.1	3.7
<b>Sawlogs</b>					
Production ('000 cu.m)	30,957	41,000	29,000	5.8	-6.7
Export ('000 cu.m)	19,630	20,355	7,500	0.7	-18.0
Unit Value (\$/cu.m)	141	199	289	7.1	7.8
Value (\$ million)	2,771	4,041	2,168	7.8	-11.7
<b>Sawn Timber</b>					
Production ('000 cu.m)	5,550	8,900	9,100	9.9	0.4
Export ('000 cu.m)	2,780	5,223	4,900	13.4	-1.3
Unit Value (\$/cu.m)	409	587	820	7.5	7.0
Value (\$ million)	1,137	3,065	4,018	21.9	5.6
<b>Cocoa</b>					
Production ('000 tonnes)	108	262	340	19.4	5.3
Export ('000 tonnes)	82	163	247	14.8	8.7
Unit Value (\$/kg)	5.0	2.8	4.3	-11.3	9.3
Value (\$ million)	410	448	1,062	1.8	18.8
<b>MINING</b>					
<b>Crude Petroleum</b>					
Production (barrels/day)	446,388	622,500	629,800	6.9	0.2
Export (barrels/day)	348,000	460,400	373,000	5.8	-4.0
Unit Value (\$/tonne)	521	481	349	-1.6	-6.0
Price (US\$/barrel)	27.6	23.3	17.0	-3.3	-6.0
Value (\$ million)	8,698	10,637	6,249	4.1	-10.0
<b>LNG</b>					
Production ('000 tonnes)	4,600	6,700	11,400	7.8	11.2
Export ('000 tonnes)	4,389	6,637	11,200	8.6	11.0
Unit Value (\$/tonne)	524	365	265	-7.0	-6.0
Value (\$ million)	2,300	2,228	2,964	-0.6	6.0
<b>Tin</b>					
Production ('000 tonnes)	37	29	21	-5.0	-6.0
Export ('000 tonnes)	57	53	45	-1.7	-3.0
Unit Value (\$/kg)	29	17	16	-9.8	-1.0
Value (\$ million)	1,648	902	729	-11.4	-4.2
<b>MANUFACTURES (\$ million)</b>	12,471	48,047	105,830	31.0	17.0
<b>OTHER EXPORTS (\$ million)</b>	1,760	2,753	7,274	9.4	21.5
<b>GROSS EXPORTS (\$ million)</b>	38,017	79,548	141,160	15.9	12.2

1.47 The export of crude petroleum will decline by about 4.0 per cent per annum as a result of greater domestic downstream processing, while production will remain at an average level of 630,000 barrels per day during the Sixth Plan. During the period, petroleum prices are expected to be lower than the Organization of Petroleum Exporting Countries (OPEC) reference price of US\$21 per barrel. In contrast, export of Liquefied Natural Gas (LNG) is projected to grow faster by 11 per cent compared with 8.6 per cent during the Fifth Plan, as capacity at the Bintulu LNG facilities is further expanded.

1.48 The export of manufactures will continue to expand significantly at 17 per cent per annum during the Sixth Plan period. The leading subsectors will be electrical machinery and apparatus, industrial and other chemicals, non-metallic mineral products, wood and wood products, textiles and clothing and transport equipment. Total export earnings from this sector will more than double from \$48 billion in 1990 to about \$106 billion in 1995.

#### *Terms of Trade*

1.49 The terms of trade is expected to improve slightly during the Sixth Plan period, with the increases in the price of exports envisaged to exceed that of imports. The export prices are expected to increase by 4.9 per cent per annum against the import prices of 4.5 per cent. With the manufactured products contributing 75 per cent of total merchandise export earnings in 1995 compared with 60.4 per cent in 1990, the expected favourable export prices for these products will account for the improved export earnings during the Plan period. In line with these trends, GDP in terms of real purchasing power is projected to increase by 7.8 per cent per annum, slightly higher than the rate of growth of output.

#### *Price Development*

1.50 Malaysia has been successful in maintaining continued price stability. During the Sixth Plan period, the rate of inflation is expected to remain low. However, the rapid expansion of investment and consumption at the onset of the Plan period can lead the economy to operate close to full capacity, thus resulting in bottlenecks and shortages in certain key sectors. These developments, if allowed to remain unchecked could lead to the building up of inflationary pressures in the economy. To circumvent the adverse implication of price increases, measures will be taken to ease supply bottlenecks by liberalizing imports and increasing domestic production as well as controlling price increases of essential goods and services and encouraging wage restraint. At the

same time, the level of public investment and the money supply will be closely monitored to prevent further build-up of inflationary pressures. In addition, appropriate measures will be instituted to moderate the pressure on prices. Apart from monitoring prices and regular enforcement checks, measures will be undertaken to continuously educate the public on issues relating to their rights and privileges as consumers through the mass media.

### *Resource Balance*

1.51 Overall, the resource position for the Sixth Plan period will be strong. Gross national savings, which is already high by international standards, is projected to increase to 34.1 per cent of GNP over the Sixth Plan period, exceeding the level of 31 per cent achieved in the previous Plan, reflecting the country's ability to mobilize domestic resources. However, gross investment for the Sixth Plan period is expected to expand to 34.9 per cent of GNP, thus creating a resource gap of 0.8 per cent of GNP, as shown in *Table 1-5*. This gap will be met by inflows of foreign capital. The strategy will be to manage these resources more efficiently by channelling them into productive investment.

TABLE 1-5  
RESOURCE BALANCE, 1985-95  
(per cent of GNP)

Sector	1985	1990	1995	Cumulative	
				5MP	6MP
<i>Public Sector</i>					
Savings	13.6	11.4	7.5	9.1	8.9
Investment	13.9	11.6	9.5	11.1	10.6
Resource Gap	-0.3	-0.2	-2.0	-2.0	-1.7
<i>Private Sector</i>					
Savings	14.0	18.9	28.4	21.9	25.2
Investment	15.8	23.5	25.3	18.7	24.3
Resource Gap	-1.8	-4.6	3.1	3.2	0.9
<i>Total</i>					
Savings	27.6	30.3	35.9	31.0	34.1
Investment	29.7	35.1	34.8	29.8	34.9
Resource Gap	-2.1	-4.8	1.1	1.2	-0.8



1.52 The public sector resource balance will continue to be in deficit during the Sixth Plan period with a gap of 1.7 per cent of GNP. On the other hand, the private sector resource balance will show a surplus of 0.9 per cent of GNP. Private savings, which is about 25.2 per cent of GNP, will continue to emanate mostly from households rather than private corporations.

#### *Balance of Payments*

1.53 Over the Sixth Plan period, merchandise exports are projected to grow faster than imports to register a surplus of around 6.0 per cent of GNP, as shown in *Table 1-6*. The *services balance*, however, will continue to show a large deficit of around 7.0 per cent of GNP, resulting in a current account deficit of 0.8 per cent of GNP over the period. The current account is expected to remain in deficit for the first half of the Sixth Plan period because of rising imports. However, in the second half of the Plan, the current account will be in surplus as a result of improvements in the merchandise account which more than offset the deficit in the services account. These improvements which are expected to come from favourable export performance as well as measures to reduce the large deficit in the *services account*, will not be sufficient to offset the substantial accumulated deficit over the first half of the period.

1.54 To contain the deficit at a manageable level, measures will be undertaken to promote exports more vigorously as well as to reduce imports, particularly consumption and intermediate goods through encouraging greater local production. In addition, continued efforts will be made to reduce the large deficit in the services account by further developing tourism, shipping and insurance industries. At the same time, the Government will continue to encourage direct foreign investment, including reinvestment, to sustain the high inflows of corporate capital in order to maintain a healthy capital account position. The increases in the flow of income from Malaysian investments abroad in response to recent incentives provided to them will also assist in improving the overall balance.

#### *Labour Force and Employment*

1.55 The population of Malaysia is projected to grow at 2.4 per cent per annum to reach 20.26 million by 1995, lower than the growth rate of 2.5 per cent during the Fifth Plan period, as shown in *Table 1-7*. Peninsular Malaysia will register a slower population growth of 2.3 per cent per annum, compared with 3.1 per cent for Sabah and 2.5 per cent for Sarawak.

TABLE 1-6  
BALANCE OF PAYMENTS, 1985-95  
(\$ million)

Item	1985		1990		1995		5MP		6MP	
		% of GNP		% of GNP		% of GNP		% of GNP		% of GNP
Merchandise Account	8,883	12.3	4,267	3.9	14,250	7.0	52,434	12.1	47,900	6.0
Exports	37,576	52.2	78,348	71.3	139,780	68.2	279,905	64.6	561,940	69.8
Imports	28,693	39.9	74,081	67.4	125,530	61.3	227,471	52.5	514,040	64.0
Services Account	-10,391	-14.4	-9,812	-8.9	-12,150	-6.0	-48,415	-11.2	-55,470	-7.0
of which:										
Freight & Insurance	-1,852	-2.6	-3,739	-3.4	-5,460	-2.7	-11,395	-2.6	-23,070	-3.0
Other Transportation	64	0.1	188	0.2	590	0.3	363	0.1	2,060	0.3
Travel	-1,332	-1.9	471	0.4	820	0.4	-5,080	-1.2	2,560	0.3
Investment Income	-5,434	-7.6	-4,831	-4.4	-7,890	-3.8	-24,374	-5.6	-34,310	-4.3
Government Transactions	-31	-0.0	-311	-0.3	-30	-0.0	-1,181	-0.3	-770	-0.1
Other Services	-1,806	-2.5	-1,590	-1.4	-200	-0.1	-6,748	-1.6	-1,930	-0.2
Transfers	-14	-0.0	300	0.3	210	0.1	1,347	0.3	1,050	0.1
Current Account	-1,522	-2.1	-5,245	-4.8	2,300	1.0	5,366	1.2	-6,530	-0.8
Capital Account										
Official Long-term Capital	2,392	3.3	-2,258	-2.1						
Corporate Investment	1,725	2.4	8,000	7.3						
Central Bank Reserves	12,457	17.3	27,026	24.6						
Months of Retained Imports	5.2		4.1							

1.56 During the Sixth Plan period, the labour force is projected to grow at a slower rate of 2.9 per cent compared with 3.1 per cent during the previous Plan period, as shown in *Chart 1-6*. The slower rate of growth is mainly on account of the slower growth of the population in the 15-24 age group as a result of past declines in fertility. The overall labour force participation rate (LFPR) is, however, expected to increase from 66.5 per cent in 1990 to 67.3 per cent in 1995, largely reflecting the increase in female LFPR from 47.3 per cent to 48.6 per cent during the period.

1.57 The employment situation will remain favourable, with employment projected to grow at 3.2 per cent per annum to reach 7.8 million in 1995, an increase of 1.1 million new jobs. With labour supply

TABLE 1-7  
POPULATION, LABOUR FORCE AND EMPLOYMENT,  
1985-95

	1985		1990		1995		Increase ('000)		Average Annual Growth Rate (%)			
							5MP	6MP	5MP	6MP		
Population ('000)	15,864.0		18,010.2		20,262.7		2,146.2	2,252.5	2.5	2.4		
Labour Force ('000)	6,039.1		7,046.5		8,114.0		1,007.4	1,067.5	3.1	2.9		
Unemployment ('000)	414.5		425.5		361.7							
Unemployment Rate <sup>1</sup> (%)	6.9		6.0		4.5							
Sector	('000)		(%)		('000)		(%)		New Jobs ('000)		Average Annual Growth Rate (%)	
									5MP	6MP	5MP	6MP
Agriculture & Forestry	1,759.6	31.3	1,837.6	27.8	1,821.9	23.5	78.0	-15.7	0.9	-0.2		
Mining & Quarrying	44.4	0.8	39.1	0.6	40.7	0.5	-5.3	1.6	-2.5	0.8		
Manufacturing	855.4	15.2	1,290.2	19.5	1,699.1	21.9	434.8	408.9	8.6	5.7		
Construction	429.4	7.6	426.9	6.4	547.5	7.1	-2.5	120.6	-0.1	5.1		
Non-Government Services <sup>2</sup>	1,716.3	30.5	2,177.0	32.9	2,770.9	35.7	460.7	593.9	4.9	4.9		
Government Services	819.5	14.6	850.2	12.8	872.2	11.3	30.7	22.0	0.7	0.5		
Employment	5,624.6	100.0	6,621.0	100.0	7,752.3	100.0	996.4	1,131.3	3.3	3.2		

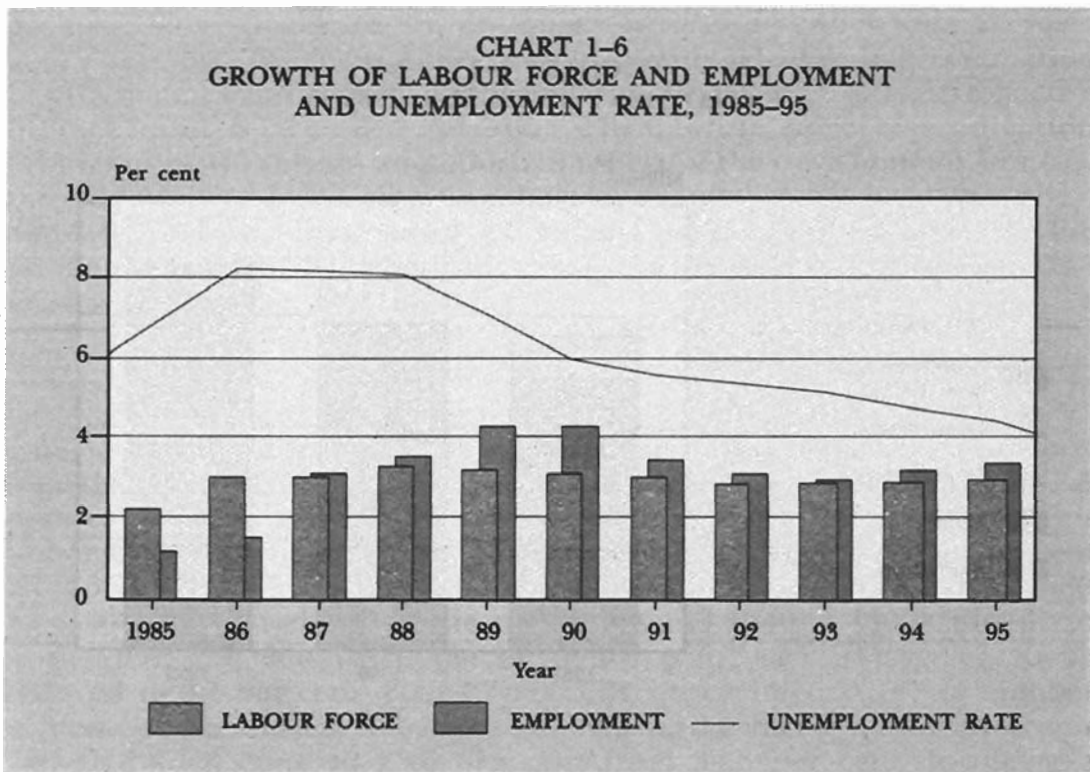
Notes:

<sup>1</sup> Estimates of unemployment in Malaysia follow the internationally accepted definition of unemployment and include all persons in the labour force who, during the reference period, were without any work although available for employment. The estimates cover those who were not actively looking for work and they accounted for about half of the total number of unemployed.

<sup>2</sup> Includes electricity, gas and water; transport, storage and communications; wholesale and retail trade, hotels and restaurants; finance, insurance, real estate and business services and other services.

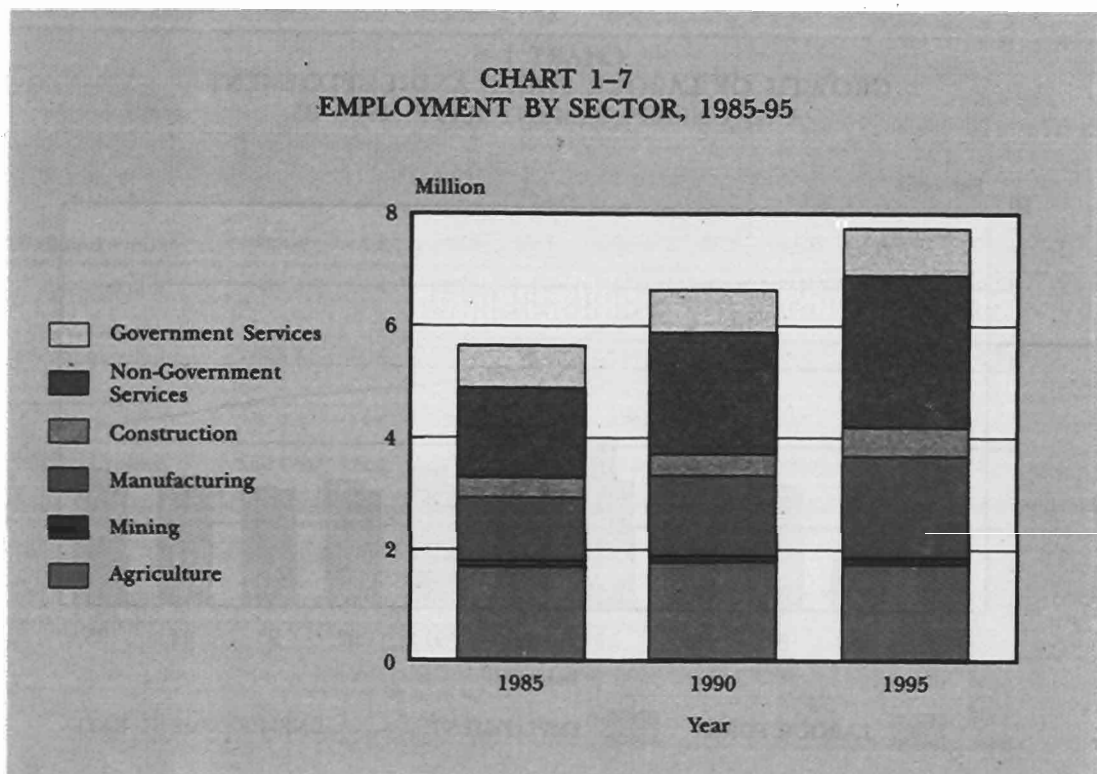
anticipated to increase by 2.9 per cent per annum, the unemployment rate will decline from 6.0 per cent in 1990 to about 4.5 per cent by 1995 which is nearer to the full employment level. Overall, there will be adequate supply of young and trainable labour force in the country. However, the rapid expansion of industries at particular locations will place pressure on local labour markets. With the tightening of the labour market, there will be pressure on wages to increase. In order to safeguard Malaysia's international competitiveness, wage increases will have to be related to productivity growth. To this end, the Government will formulate a system of wage adjustment which relates wage movements to productivity changes. The changes that will be effected will be in the best interests of both workers and employers.

1.58 As a measure to ease the tightening of the labour market, the Government will also undertake programmes to equip female workers with more marketable skills. Such measures will not only optimize their employment potential, but also enhance their career prospects in line with the expansion of employment opportunities and the structural changes in the economy.



1.59 The increasing adoption of modern manufacturing technologies and production processes to increase productivity will place greater demand on the availability of skilled labour to complement capital-intensive operations. In response to present and in anticipation of future manpower requirements, the Government has prepared a comprehensive programme of policy reforms as contained in the Report of the Cabinet Committee on Training. These reforms are aimed at making the skill delivery system more responsive to the market and technological demand as well as encourage greater public-private sector collaboration and a greater role by the private sector in training. This will ensure that education and training institutions will be able to produce both the quantity and quality of output required for future growth and development.

1.60 Job generation during the Sixth Plan period is expected to change in line with the structural shifts in the economy, as shown in *Chart 1-7*. Increasingly, more jobs will be found in the services sector, particularly in non-government services, as the public sector will continue to refrain from creating more jobs. As the economy becomes more industrialized and broad-based, more employment will be created in the



services, manufacturing and construction sectors, while the employment contribution of the primary sector will decline. The services sector, excluding government services, is expected to generate 593,900 new jobs or 52.5 per cent of new job creation. Employment in the manufacturing sector is estimated to grow at 5.7 per cent per annum to create an additional 408,900 jobs. This rate of growth is lower than in the previous period as a result of the slight deceleration in the growth of the sector as well as shifts to greater use of automation.

1.61 In line with the structural shift in employment pattern towards the modern sectors of the economy, improved techniques of production, as well as measures to improve efficiency and skill levels, the overall labour productivity as measured by value added per worker is expected to increase from \$11,950 in 1990 to \$14,660 in 1995. The most significant increase in productivity is envisaged for the manufacturing sector, rising from \$16,570 to \$21,690 during the period.

### **Framework for Distributional Objectives**

1.62 Efforts at achieving the distributional objectives in the Sixth Plan will pay particular attention to the qualitative aspects in dealing with the remaining problems of poverty and economic imbalances among ethnic groups. These problems are no longer as serious as they were 20 years ago. Therefore, the focus will now shift towards selective implementation of programmes and projects in the effort to eradicate poverty, irrespective of race, and restructure society. Thus, while poverty eradication programmes will remain an important aspect of the development strategy, the emphasis will be on targeting the programmes for the hard-core poor. Similarly, in the restructuring of society, priority will be given to the development of BCIC, where in terms of achievement, it has been the least successful.

#### *Poverty Alleviation*

1.63 Further improvements will be made in the alleviation of poverty with the incidence of poverty as a whole projected to decline from 17.1 per cent in 1990 to 11.1 per cent in 1995, as shown in *Table 1-8*. This will entail a reduction of about 133,900 poor households from the present level of 619,400. In terms of stratum, this will involve a decrease of about 129,100 poor households in the rural areas and about 4,800 in the urban areas. For the Peninsula, the incidence of poverty is targeted to be reduced to 9.1 per cent from 15 per cent, or a reduction in the number of poor households by 119,400. For Sabah, the incidence of poverty is expected to decline to 25.6 per cent from 34.3 per cent, involving a

TABLE 1-8  
INCIDENCE OF POVERTY AND NUMBER OF POOR HOUSEHOLDS,  
1985-95

		1985 <sup>1</sup>			1990 <sup>1</sup>			1995		
		Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
<b>Peninsular Malaysia</b>										
Incidence of Poverty	(%)	18.4	8.2	24.7	15.0	7.3	19.3	9.1	4.1	14.1
Number of Poor Households	('000)	483.3	81.3	402.0	448.9	77.5	371.4	329.5	73.3	256.2
Incidence of Hard-core Poverty	(%)	6.3	2.4	8.7	3.6	1.4	4.8	1.7	0.6	2.8
Number of Hard-core Poor	('000)	165.6	23.8	141.8	107.3	14.9	92.4	61.3	10.6	50.7
<b>Total Households</b>	<b>('000)</b>	<b>2,621.1</b>	<b>991.7</b>	<b>1,629.4</b>	<b>2,986.4</b>	<b>1,062.2</b>	<b>1,924.2</b>	<b>3,627.9</b>	<b>1,804.9</b>	<b>1,823.0</b>
<b>Sabah</b>										
Incidence of Poverty	(%)	33.1	14.3	38.6	34.3	14.7	39.1	25.6	8.5	33.0
Number of Poor Households	('000)	76.0	7.5	68.5	96.6	8.5	91.1	91.1	9.1	82.0
Incidence of Hard-core Poverty	(%)	9.7	2.9	11.7	8.5	1.7	10.1	5.5	1.3	7.2
Number of Hard-core Poor	('000)	22.3	1.5	20.8	24.7	1.0	23.7	19.4	1.4	18.0
<b>Total Households</b>	<b>('000)</b>	<b>229.8</b>	<b>52.4</b>	<b>177.4</b>	<b>290.8</b>	<b>57.7</b>	<b>233.1</b>	<b>356.0</b>	<b>107.3</b>	<b>248.7</b>
<b>Sarawak</b>										
Incidence of Poverty	(%)	31.9	8.2	37.3	21.0	4.9	24.7	16.0	2.1	20.1
Number of Poor Households	('000)	90.1	4.2	85.9	70.9	3.1	67.8	64.9	1.9	63.0
Incidence of Hard-core Poverty	(%)	10.0	1.7	11.9	3.3	0.6	3.9	2.0	0.3	2.5
Number of Hard-core Poor	('000)	28.2	0.9	27.3	11.1	0.4	10.7	8.1	0.3	7.8
<b>Total Households</b>	<b>('000)</b>	<b>282.4</b>	<b>51.2</b>	<b>231.2</b>	<b>337.4</b>	<b>62.8</b>	<b>274.6</b>	<b>405.3</b>	<b>91.4</b>	<b>313.9</b>
<b>Malaysia</b>										
Incidence of Poverty	(%)	20.7	8.5	27.3	17.1	7.5	21.8	11.1	4.2	16.8
Number of Poor Households	('000)	649.4	93.0	556.4	619.4	89.1	530.3	485.5	84.3	401.2
Incidence of Hard-core Poverty	(%)	6.9	2.4	9.3	4.0	1.4	5.2	2.0	0.6	3.2
Number of Hard-core Poor	('000)	216.1	26.2	89.9	143.1	16.3	126.8	88.8	12.3	76.5
<b>Total Households</b>	<b>('000)</b>	<b>3,133.3</b>	<b>1,095.3</b>	<b>2,038.0</b>	<b>3,614.6</b>	<b>1,182.7</b>	<b>2,431.9</b>	<b>4,389.2</b>	<b>2,003.6</b>	<b>2,385.6</b>

Sources: Household Income Surveys, 1984 and 1989, and EPU estimates.

Note: <sup>1</sup> Figures for 1985 and 1990 are based on the surveys conducted in 1984 and 1989, respectively.

reduction of about 5,500 poor households, while in Sarawak, the incidence of poverty is expected to decline to 16 per cent, a reduction of about 6,000 poor households. With these improvements, the incidence of hard-core poverty will also decline from 4.0 per cent to 2.0 per cent, resulting in the reduction in their number of households from 143,100 to 88,800. Along with this, the quality of life of the poor, especially the hard-core poor, will also be improved through the provision of basic needs and other social amenities. A major factor contributing to the improvement in the poverty situation will be the greater opportunities that will be available for the poor, both in the rural and urban areas, to increase their incomes and their standard of living, arising from the continued strong growth of the national economy. The Government will provide the necessary support facilities, in particular, to the hard-core poor in order to encourage them to be self-reliant.

1.64 Apart from focussing on the poorest segment of the population, the Plan will also pay attention to the potential problems associated with relative poverty. Towards this end, emphasis will be given to the lower income segment of the population, especially those who constitute the bottom 40 per cent of the households. The main concern in this effort will be to ensure that the lower income households, who are no longer absolutely poor, will not experience a deteriorating socio-economic position and that their mean income relative to that of the higher income households will continue to improve.

#### *Restructuring of Society*

1.65 With respect to the restructuring of society, further progress will be made in restructuring employment such that the pattern of employment among the ethnic groups in the country will reflect their composition in the population. The share of Bumiputera, particularly in the higher-paying professional occupations, is projected to increase from 29 per cent to 32.3 per cent during the period, as shown in *Table 1-9*. The breakdown of these professional occupations in 1990 is shown in *Table 1-10*. Bumiputera representation in the modern sectors, especially in manufacturing and non-government services sectors, will be further enhanced as a result of increased supply of educated and skilled Bumiputera manpower as well as higher demand for such personnel, as shown in *Table 1-11*. Bumiputera will be given opportunities to enable them to participate in skilled occupations in the private sector where there will be a greater demand for such manpower. Particular emphasis will be given to improve the quality of manpower among Bumiputera through the development of specialized technical and communicative as well as marketable skills.



TABLE 1-9  
EMPLOYMENT BY OCCUPATION AND ETHNIC GROUP, 1985-95  
('000)

Occupation	1985				1990				1995						
	Bumi-putera	Chinese	Indians	Others	Total	Bumi-putera	Chinese	Indians	Others	Total	Bumi-putera	Chinese	Indians	Others	Total
Professional/Technical <sup>1</sup> (%)	248.2	130.2	36.7	6.6	421.7	350.4	178.6	44.8	7.0	580.8	451.9	220.3	53.4	6.6	732.2
	58.8	30.9	8.7	1.6	100.0	60.3	30.8	7.7	1.2	100.0	61.7	30.1	7.3	0.9	100.0
Registered Professional <sup>2</sup> (%)	6.3	17.4	3.9	0.8	28.4	11.8	22.6	5.4	0.8	40.6	19.5	31.8	8.3	0.7	60.3
	22.2	61.2	13.9	2.7	100.0	29.0	55.9	13.2	1.9	100.0	32.3	52.8	13.7	1.2	100.0
Teachers and Nurses (%)	108.9	49.0	10.8	0.9	169.6	148.7	54.9	13.7	1.2	218.5	196.4	61.3	17.1	1.5	276.3
	64.2	28.9	6.4	0.5	100.0	68.1	25.1	6.3	0.5	100.0	71.1	22.2	6.2	0.5	100.0
Administrative and Managerial (%)	44.9	74.2	6.6	3.3	129.0	54.1	95.3	8.6	4.4	162.4	75.1	126.5	11.8	6.1	219.5
	34.8	57.5	5.1	2.6	100.0	33.3	58.7	5.3	2.7	100.0	34.2	57.6	5.4	2.8	100.0
Clerical (%)	295.8	206.8	41.6	3.0	547.2	354.7	238.1	50.5	2.6	645.9	426.4	280.0	58.2	2.5	767.1
	54.1	37.8	7.6	0.5	100.0	54.9	36.9	7.8	0.4	100.0	55.6	36.5	7.6	0.3	100.0
Sales (%)	207.9	371.0	42.7	4.7	626.3	274.2	429.8	49.7	7.6	761.3	382.2	518.5	61.3	11.9	973.9
	33.2	59.2	6.8	0.8	100.0	36.0	56.5	6.5	1.0	100.0	39.2	53.2	6.3	1.2	100.0
Service (%)	395.6	178.7	64.6	3.3	642.2	473.9	207.7	81.8	6.9	770.3	595.3	238.2	101.2	3.0	937.7
	61.6	27.8	10.1	0.5	100.0	61.5	27.0	10.6	0.9	100.0	63.5	25.4	10.8	0.3	100.0
Agricultural (%)	1,306.7	261.6	140.9	11.7	1,720.9	1,431.1	295.1	131.4	14.9	1,872.5	1,403.4	295.4	132.7	15.1	1,846.6
	75.9	15.2	8.2	0.7	100.0	76.4	15.8	7.0	0.8	100.0	76.0	16.0	7.2	0.8	100.0
Production (%)	726.8	642.2	161.5	6.8	1,537.3	887.0	737.6	195.9	7.3	1,827.8	1,130.6	882.9	252.3	9.5	2,275.3
	47.3	41.8	10.5	0.4	100.0	48.5	40.4	10.7	0.4	100.0	49.7	38.8	11.1	0.4	100.0
<b>Total</b> (%)	<b>3,225.9</b>	<b>1,864.7</b>	<b>494.6</b>	<b>39.4</b>	<b>5,624.6</b>	<b>3,825.4</b>	<b>2,182.2</b>	<b>562.7</b>	<b>50.7</b>	<b>6,621.0</b>	<b>4,464.9</b>	<b>2,561.8</b>	<b>670.9</b>	<b>54.7</b>	<b>7,752.3</b>
	<b>57.3</b>	<b>33.2</b>	<b>8.8</b>	<b>0.7</b>	<b>100.0</b>	<b>57.8</b>	<b>32.9</b>	<b>8.5</b>	<b>0.8</b>	<b>100.0</b>	<b>57.6</b>	<b>33.0</b>	<b>8.6</b>	<b>0.7</b>	<b>100.0</b>

Notes:

<sup>1</sup> Refers to the standard definition as provided in the Dictionary of Occupations which includes not only the fully professional and technically qualified workers but also the sub-professional and sub-technical categories such as Draughtmen, Laboratory Assistants as well as Teachers and Nurses.

<sup>2</sup> Refers to members registered with eight professional bodies, i.e. Architects, Engineers, Surveyors, Doctors, Dental Surgeons, Veterinarians, Accountants and Lawyers.

TABLE 1-10  
REGISTERED PROFESSIONALS BY ETHNIC GROUP, 1990

<i>Profession</i>	<i>Bumiputera</i>	<i>(%)</i>	<i>Chinese</i>	<i>(%)</i>	<i>Indians</i>	<i>(%)</i>	<i>Others</i>	<i>(%)</i>	<i>Total</i>	<i>(%)</i>
Architects	231	2.0	728	3.2	12	0.2	8	1.1	979	2.4
(%)	23.6		74.4		1.2		0.8		100.0	
Accountants	627	5.3	4,524	20.0	346	6.5	77	10.3	5,574	13.8
(%)	11.2		81.2		6.2		1.4		100.0	
Engineers	7,018	59.7	11,741	51.9	1,065	19.9	342	45.6	20,166	49.8
(%)	34.8		58.2		5.3		1.7		100.0	
Dentists	406	3.5	847	3.7	396	7.4	21	2.8	1,670	4.1
(%)	24.3		50.7		23.7		1.3		100.0	
Doctors	1,951	16.6	2,430	10.7	2,410	44.9	216	28.8	7,007	17.3
(%)	27.8		34.7		34.4		3.1		100.0	
Veterinary Surgeons	242	2.1	160	0.7	250	4.7	23	3.1	675	1.7
(%)	35.9		23.7		37.0		3.4		100.0	
Lawyers	705	6.0	1,575	7.0	836	15.6	37	4.9	3,153	7.8
(%)	22.4		50.0		26.5		1.2		100.0	
Surveyors	573	4.9	636	2.8	48	0.9	26	3.5	1,283	3.2
(%)	44.7		49.6		3.7		2.0		100.0	
<b>Total</b>	<b>11,753</b>	<b>100.0</b>	<b>22,641</b>	<b>100.0</b>	<b>5,363</b>	<b>100.0</b>	<b>750</b>	<b>100.0</b>	<b>40,507</b>	<b>100.0</b>
(%)	29.0		55.9		13.2		1.9		100.0	

Source: Professional associations and institutions, covering both the public and private sectors.

1.66 The restructuring of employment will also take into account the need for higher participation of non-Bumiputera in the sectors in which they are now underrepresented. Accordingly, a better representation of the non-Bumiputera in the public sector appointments, such as in the middle and senior levels of the civil services, will improve the ethnic structure of employment in the sector. However, Bumiputera are underrepresented in the higher levels of occupations in the private sector. Thus, while the employment of the non-Bumiputera is expected to increase over the 1990 level in the middle and senior appointments in the civil services, the private sector will have to absorb correspondingly a larger number of Bumiputera in the professional, managerial and executive levels to improve the ethnic structure of employment in the sector.

TABLE 1-11  
EMPLOYMENT BY SECTOR AND ETHNIC GROUP, 1985-95  
( '000)

Sector	1985					1990					1995				
	Bumi-putera	Chinese	Indians	Others	Total	Bumi-putera	Chinese	Indians	Others	Total	Bumi-putera	Chinese	Indians	Others	Total
Agriculture & Forestry (%)	1,318.9	283.3	145.5	12.0	1,759.6	1,404.6	295.1	122.8	15.1	1,837.6	1,386.5	299.6	121.0	14.8	1,821.9
Mining & Quarrying (%)	75.0	16.1	8.3	0.7	100.0	76.4	16.1	6.7	0.8	100.0	76.1	16.5	6.6	0.8	100.0
Manufacturing (%)	23.0	14.7	5.7	1.0	44.4	19.1	15.2	4.2	0.6	39.1	21.0	15.9	3.2	0.6	40.7
Construction (%)	51.9	33.1	12.8	2.2	100.0	48.8	38.9	10.8	1.5	100.0	51.6	39.1	7.8	1.5	100.0
Electricity, Gas & Water (%)	385.8	370.6	93.9	5.1	855.4	649.4	475.6	157.3	7.9	1,290.2	915.0	564.8	210.8	8.5	1,699.1
Transport, Storage & Communications (%)	45.1	43.3	11.0	0.6	100.0	50.3	36.9	12.2	0.6	100.0	53.9	33.2	12.4	0.5	100.0
Wholesale & Retail Trade, Hotels & Restaurants (%)	181.3	219.4	25.2	3.5	429.4	183.8	212.9	26.4	3.8	426.9	242.2	266.5	33.6	5.2	547.5
Finance, Insurance, Real Estate & Business Services (%)	42.2	51.1	5.9	0.8	100.0	43.0	49.9	6.2	0.9	100.0	44.2	48.8	6.1	0.9	100.0
Government Services (%)	30.7	6.1	6.6	0.1	43.5	32.1	5.9	7.6	0.3	45.9	33.5	6.1	8.1	0.1	47.8
Other Services (%)	70.7	13.9	15.1	0.3	100.0	69.8	12.9	16.6	0.7	100.0	70.1	12.8	16.9	0.2	100.0
Total (%)	125.9	84.1	32.8	1.5	244.3	154.5	92.6	36.2	2.1	285.4	191.1	106.6	46.4	1.3	345.4
	51.5	34.4	13.4	0.6	100.0	54.1	32.4	12.8	0.7	100.0	55.3	30.9	13.4	0.4	100.0
	331.6	513.3	65.5	6.9	917.3	475.3	668.8	85.2	10.1	1,239.4	661.3	831.0	105.3	14.5	1,612.1
	36.1	56.0	7.1	0.8	100.0	38.2	54.1	6.9	0.8	100.0	41.1	51.5	6.5	0.9	100.0
	84.6	93.4	19.2	1.7	198.9	95.2	109.6	23.8	2.7	231.3	115.6	126.5	28.4	2.7	273.2
	42.5	46.9	9.7	0.9	100.0	41.1	47.4	10.3	1.2	100.0	42.3	46.3	10.4	1.0	100.0
	538.8	202.7	72.6	5.5	819.5	560.3	214.8	69.3	5.8	850.2	568.7	222.4	76.5	4.6	872.2
	65.7	24.7	8.9	0.7	100.0	65.9	25.3	8.2	0.6	100.0	65.2	25.5	8.8	0.5	100.0
	205.3	77.2	27.7	2.1	312.3	251.1	91.7	29.9	2.3	375.0	330.0	122.4	37.6	2.4	492.4
	65.7	24.7	8.9	0.7	100.0	66.9	24.5	8.0	0.6	100.0	67.0	24.9	7.6	0.5	100.0
Total (%)	3,225.9	1,864.7	494.6	39.4	5,624.6	3,825.4	2,182.2	562.7	50.7	6,621.0	4,464.9	2,561.8	670.9	54.7	7,752.3
	57.3	33.2	8.8	0.7	100.0	57.8	32.9	8.5	0.8	100.0	57.6	33.0	8.6	0.7	100.0
Labour Force (%)	3,480.0	1,987.3	530.4	41.4	6,039.1	4,093.0	2,304.3	595.9	53.3	7,046.5	4,714.2	2,645.2	697.8	56.8	8,114.0
Unemployment (%)	57.6	32.9	8.8	0.7	100.0	58.0	32.7	8.5	0.8	100.0	58.1	32.6	8.6	0.7	100.0
	254.1	122.6	35.8	2.0	414.5	267.6	122.1	33.2	2.6	425.5	249.3	83.4	26.9	2.1	361.7
	61.3	29.6	8.6	0.5	100.0	62.9	28.7	7.8	0.6	100.0	68.9	23.1	7.4	0.6	100.0
Unemployment Rate (%)	7.3	6.2	6.7	4.8	6.9	6.5	5.3	5.6	4.9	6.0	5.3	3.2	3.9	3.7	4.5

1.67 In the restructuring of the corporate sector, the target of at least 30 per cent Bumiputera participation will continue to guide the formulation of strategies and programmes during the period. However, the Government recognizes that the achievement of this target needs to be given time as it involves the mobilization of a large amount of savings among Bumiputera and requires the availability of Bumiputera entrepreneurs to effectively participate in the modern sectors of the economy. Therefore, under NDP no specific time frame has been set for the attainment of the equity restructuring target of at least 30 per cent. Under the Sixth Plan, greater attention will be given towards nurturing a higher quality of leadership, professional, technical, managerial and entrepreneurial skills to enable Bumiputera to manage their wealth effectively in order to lay the foundation for further creation of wealth on a sustainable basis.

1.68 The trust agencies are no longer expected to take up significantly the new equity generated, mainly due to resource constraints among the agencies as well as the reduction in direct financial assistance to these agencies from the Government. Consequently, Bumiputera enterprises and individuals as a group will be expected to take up most of the new equity reserved for Bumiputera.

1.69 In order to ensure effective and active participation of Bumiputera in the sector, greater emphasis will be given to their ability to sustain their assets which they have accumulated over the past years. Therefore, attention will be given towards expanding their expertise and capability in the management of wealth. At the same time, assistance will be provided for the development of Bumiputera small companies and businesses to enable them to benefit from the growing opportunities in the corporate sector.

### **Framework for Regional Balance**

1.70 By the end of the Sixth Plan period, Selangor, Wilayah Persekutuan Kuala Lumpur and Terengganu will continue to be the states with the highest per capita GDP, as shown in *Table 1-12*. Despite land constraints in the Klang Valley, both Wilayah Persekutuan Kuala Lumpur and Selangor will continue to gain from expanding private sector activities, with Wilayah Persekutuan Kuala Lumpur as the major services centre and Selangor, the major industrial state. Their respective predominance as the leading services and industrial centres will remain as private investors and entrepreneurs continue to prefer locating their businesses and plants in these states.

TABLE I-12

## PER CAPITA GROSS DOMESTIC PRODUCT AND MEAN MONTHLY HOUSEHOLD INCOME BY STATE

	1985	Ratio to National Average	1990	Ratio to National Average	1995	Ratio to National Average
	(\$)		(\$)		(\$)	
<i>1. Per Capita GDP (in 1978 prices)</i>						
Malaysia	3,599		4,392		5,607	
Johor	3,170	0.88	3,983	0.91	5,661	1.01
Kedah	2,092	0.58	2,600	0.59	3,447	0.61
Kelantan	1,426	0.40	1,739	0.40	2,207	0.39
Melaka	2,775	0.77	3,587	0.82	4,784	0.85
Negeri Sembilan	3,111	0.86	3,824	0.87	4,958	0.88
Pahang	2,677	0.74	3,278	0.75	4,222	0.75
Perak	2,760	0.77	3,357	0.76	4,330	0.77
Perlis	2,470	0.69	2,973	0.68	3,700	0.66
Pulau Pinang	3,780	1.05	4,934	1.12	6,304	1.12
Sabah	3,845	1.07	4,500	1.02	5,195	0.93
Sarawak	3,452	0.96	3,883	0.88	4,920	0.88
Selangor	5,185	1.44	6,558	1.49	8,454	1.51
Terengganu	5,901	1.64	7,124	1.62	7,804	1.39
Wilayah Persekutuan Kuala Lumpur	6,768	1.88	7,608	1.73	9,495	1.69
<i>2. Mean Monthly Household Income</i>						
Malaysia	1,098		1,254			
Johor	1,065	0.97	1,220	0.97		
Kedah	690	0.63	860	0.69		
Kelantan	625	0.57	726	0.58		
Melaka	1,040	0.95	1,190	0.95		
Negeri Sembilan	1,039	0.95	1,162	0.93		
Pahang	960	0.87	1,092	0.87		
Perak	883	0.80	1,067	0.85		
Perlis	692	0.63	852	0.68		
Pulau Pinang	1,183	1.08	1,375	1.10		
Sabah	1,212	1.10	1,358	1.08		
Sarawak	1,033	0.94	1,199	0.96		
Selangor	1,590	1.45	1,790	1.43		
Terengganu	756	0.69	905	0.72		
Wilayah Persekutuan Kuala Lumpur	1,920	1.75	2,102	1.68		

1.71 The middle-income state of Johor is expected to grow at a faster rate compared with the national average during the period. The ratio of per capita GDP of Johor to the national average is expected to increase from 0.91 in 1990 to 1.01 in 1995. This improvement is due to the rapid industrial development in the state. Besides benefiting from Singapore due to its close proximity, the state is expected to benefit further from the developments in the growth triangle comprising South Johor, Batam Island and Singapore. The completion of the second crossing, linking Johor with Singapore, the development of a second port and the relocation of industries from Singapore will further accelerate the pace of development of Johor. At the same time, Melaka, Negeri Sembilan and Perak will continue to benefit from spillover developments in the Klang Valley as Wilayah Persekutuan Kuala Lumpur and Selangor are slowly experiencing congestion. In addition, plans are being prepared to utilize the vast stretches of ex-mining land in Perak and to develop the potential of North Perak for agro-tourism development. The States of Sabah and Sarawak, which largely depend on the primary sector, namely, agriculture and mining, particularly petroleum, are expected to grow at a rate of 6.2 per cent and 7.5 per cent, respectively. However, an increase in petroleum and gas-related activities will boost the growth of the manufacturing sector in these two states. The sector is expected to grow at 13.7 per cent per annum in Sabah and 15.7 per cent in Sarawak, more than the national average of 11.5 per cent. The high growth of the manufacturing sector is due to the expansion in downstream activities related to the petroleum and gas industry.

1.72 The position of the lesser developed state of Kedah is also expected to improve. The state is expected to grow at 8.0 per cent per annum as a result of the rapid growth of manufacturing industries, particularly those located in the Kulim-Sungai Petani areas, and the spillover of industries from Pulau Pinang. In addition, with the designation of Kulim as one of the areas earmarked for the development of high-tech industries under the strategy of industrial specialization by location, the state is expected to experience further growth. The relative positions of Perlis and Kelantan are expected to remain unchanged with agriculture being the major contributor. However, there is potential for the development of commercial agriculture and horticulture in south-west Kelantan, especially in the higher elevated lands to spur the growth of the agriculture sector in the state.

1.73 Generally, the economic base of all states continue to change progressively from being dependent on the primary sector to one relying more on the modern secondary and tertiary sectors. For example, the contribution of the secondary sector to GDP of Kelantan will increase

from 14.4 per cent in 1990 to 17.9 per cent in 1995, from 21.8 per cent to 30.2 per cent of GDP in Kedah, and from 17.2 per cent to 23.7 per cent of GDP in Pahang. The contribution of the primary sector to GDP of these states will decline correspondingly.

## V. DEVELOPMENT STRATEGIES FOR THE SIXTH PLAN

### Macro-economic Strategies

1.74 In the effort to improve Malaysia's growth prospects in a rapidly changing world economy, greater focus will be given to macro-economic strategies to meet the challenges ahead as well as strengthen the nation's productive capacity and competitiveness in the international market. During the Sixth Plan period, productivity growth will be an important determinant of output expansion in the economy so as to enable the country to face the challenges of rapid technological developments and the changing global economic environment. Further, with natural resources becoming more scarce and with growing concerns on environmental degradation, there is need to ensure the efficient utilization of resources for sustainable development.

1.75 The strategy for achieving growth will be, *firstly*, to improve the efficiency and competitiveness of the economy and encourage the private sector to continue playing a leading role in the expansion of the economy. The private sector thrives best under stable macro-economic conditions. Therefore, the Government will ensure that its management of the economy will continue to create the conditions which are conducive for the growth of private investment and the development of private sector initiatives and entrepreneurship. Towards this end, fiscal and monetary policies will be directed towards maintaining stable prices, favourable exchange rates and a healthy balance of payments position.

1.76 *Secondly*, as a healthy public sector financial position is essential for strengthening the environment for growth and maintaining financial and economic stability in the country, the measures which have been undertaken to consolidate the public sector and reduce its direct participation in the economy will be continued. In addition, steps will be taken to strengthen further the revenue position of the Federal Government, reduce unproductive expenditures and accelerate the implementation of the privatization programme in order to enable the public sector to be financially strong. This will enable it to have the resources to implement the priority programmes in infrastructure and human resource development and provide the social services for meeting the distributional objectives under NDP.

1.77 *Thirdly*, the Government will maintain and further liberalize the procedures and rules to improve further the investment climate. In this regard, the Government will continue with the existing liberal policy on equity requirements for foreign investors in the manufacturing and tourism sectors. Steps will also be taken to improve further the administrative procedures and regulations at the Federal, state and local authority levels to assist in the efficient implementation of private sector projects. Although the existing regulatory authorities such as the Ministry of International Trade and Industry, Foreign Investment Committee (FIC) and the Capital Issues Committee (CIC) will continue to function in implementing the objectives of restructuring equity ownership and the employment pattern in the private sector, procedures will be rationalized further to ensure that these are consistent with the overriding policy of encouraging private sector growth and foreign investment in the country.

1.78 *Fourthly*, efforts will be continued to accelerate the process of industrial development. To remain internationally competitive, Malaysia will have to change the structure of its industry towards more technologically sophisticated and better quality products that are integrated with the markets of the developed countries. This will require policy changes to encourage technological upgrading, diversify the industrial base, promote industrial restructuring and modernization, especially among small- and medium-scale industries (SMIs) and to raise the standards of manufacturing towards higher levels of innovation and know-how in production, design and marketing. For this purpose, the Sixth Plan will allocate more resources to the development of S&T, R&D, human resource development and industrial restructuring programmes. In particular, the quality of education and training will be improved to meet the increasing demand for skilled manpower and to raise efficiency and productivity of the labour force. The development of the transport and communications system will be accelerated to cope with the emerging problems of congestion and bottlenecks resulting from the unprecedented growth in the major industrial areas.

1.79 *Fifthly*, greater efforts will be made to strengthen the development of the financial and capital markets so as to facilitate domestic savings to be more efficiently mobilized and channelled towards the productive sectors of the economy, in particular the manufacturing sector. In this connection, an important area of reform is to enable the high level of savings mobilized by the social security organizations to be made more easily accessible to companies and institutions to meet their requirements for long-term funds.



## Sectoral Strategies

1.80 Sectoral strategies will focus on further diversifying the economic base and promoting the growth of value-added activities, as well as finding new avenues of development. These efforts to further transform the structure of production will strengthen the resilience of the economy. While the agriculture sector will remain an important part of the economy, the main thrust towards growth and structural change will come from the manufacturing sector. The services sector will expand and play an important role as the economy becomes more industrialized. Apart from promoting the development of the domestic services sector, greater efforts will be directed towards exporting services with a view to reducing the large deficits in the services account of the balance of payments.

1.81 The development of the *agriculture sector* is constrained by the scarcity of suitable land for cultivation, shortage of labour and increasing cost of production. While suitable land is still abundant in Sabah and Sarawak, the infrastructural support for agriculture will be improved over time. In addition, there is also an urgent need to conserve and develop forestry and inshore fishery resources. In the light of these constraints, the strategy will thus focus on efforts to further improve the productivity of existing cultivable areas, via land consolidation and estatization of smallholdings, wider application of R&D and labour saving devices as well as broader extension services and efficient marketing system. Thus, rural infrastructure will be improved to facilitate vertical integration of the sector for higher value-added products and to create new opportunities for rural industrialization as well as increase the mobility of the rural community into modern activities.

1.82 While forest and timber production is making significant contributions to economic growth, greater emphasis will be given to forest conservation to maintain environmental stability and ecological balance. The rate of logging will be reduced to ensure sustainable forest management in line with the National Forest Policy. At the same time continued efforts in rehabilitation and redevelopment of logged-over areas will enable the continued stable supply of timber to meet the needs of downstream processing into higher value-added timber products. In this way, production and protection will be harmonized so that the sound management and preservation of the forest will help advance economic growth while ensuring protection for the land, climate, habitat and ecology of the country.

1.83 The *mining sector* will continue to be dominated by petroleum and gas. With regard to petroleum, the emphasis will be to maintain a sustainable rate of exploitation. Natural gas, for which known reserves

are plentiful, will be a major contributor to the growth of the mining sector during the Sixth Plan. In addition, a national policy on mining is being formulated to develop the country's potential in the extraction of non-alluvial mineral deposits and in the development of mineral-based industrial activities.

1.84 The primary strategy for promoting the growth of the *manufacturing sector* is to widen and diversify its base as well as to establish greater linkages with the traditional subsectors. Emphasis will continue to be placed on accelerating the growth of export-oriented industries while at the same time developing the intermediate and capital goods industry as well as restructuring and modernizing existing industries. Certain identified subsectors of the industry, especially those that have enjoyed tariff protection for a long period, will be rationalized to improve their efficiency and competitiveness. Greater efforts will also be made to enhance linkages between the larger and foreign-owned concerns with the domestically-owned SMIs.

1.85 The *services sector* as a whole will be developed so that it will provide adequate support to the expansion of the other sectors. Such efforts include not only the upgrading and modernization of existing service subsectors but also the development of modern, higher value-added and more sophisticated services, particularly in the financial subsector and in professional and consultancy services. In addition, efforts will be made to accelerate the development of the travel, tourism and leisure industries, the shipping industry, private post-secondary education as well as specialized health care in order to save and at the same time, earn foreign exchange. The development of these industries will assist in the reduction of the deficit in the services account of the balance of payments.

### **Distributional Strategies**

1.86 Greater integration between growth and sectoral strategies will be pursued to ensure that distributional strategies take into account the importance of maintaining balanced ethnic participation and regional development. In the implementation of the strategies and programmes for poverty alleviation and restructuring of society, efforts will be made to minimize leakages and ensure benefits reach the targeted beneficiaries. This will be undertaken through further improvements to the delivery systems as well as a greater emphasis on human resource development.

### *Hard-core Poverty*

1.87 With regard to the hard-core poor, a new package of programmes called the 'Development Programmes For the Poorest' will be implemented with an allocation of about \$600 million, tailored to meet the specific needs of the poorest. The new package has been designed based on the experiences gained in the initial implementation of the programme during 1989-90 as well as on relevant surveys and analyses which have been made on the delivery system and its impact on the poorest. The package will include programmes which emphasize food and nutritional requirements for the undernourished children, provision of decent shelter and other assistance in kind. It also provides assistance to school-going children in the form of minor scholarships, text books, hostel accommodation and supplementary food programmes. In order to provide better incomes, economic projects such as planting of cash crops and rearing of livestock will be encouraged among active members of the households. Furthermore, the package also provides basic infrastructural facilities such as roads, water and electricity, as well as health and medical care.

1.88 To facilitate the implementation of this programme, the registry of the poorest households is being updated to identify the beneficiaries. Apart from income, the registry will take into account other information such as housing conditions, accessibility to basic amenities, and educational and health status of family members in the selection of the hard-core poor into the programme. A coordinating committee has also been established in order to expedite programme coordination as well as ensure that sufficient resources are made available to all the relevant agencies. In addition, a more effective procedure will be developed to ensure better feedback in terms of the impact of the various programmes on the target beneficiaries. At the district level, District Officers will be given more support facilities to implement the programme.

1.89 An important approach in the drive to eradicate poverty will be the creation of the right environment for the poor to utilize their own economic potential in order to develop a self-reliant community. In line with this, the Government will continue to support the efforts of non-governmental organizations and other private initiatives, such as the credit scheme by *Amanah Ikhtiar Malaysia* (AIM) designed to provide income-earning opportunities for the poor. As part of the support, the Government will provide a loan of \$20 million to AIM during the Plan period.

1.90 Apart from eradicating hard-core poverty, existing strategies for improving the standard of living of the poor households irrespective of race will be continued. The expansion in the economy will create new employment and income opportunities for the poor. In addition, public sector programmes under the Plan will also benefit these households. In the agriculture sector, the Integrated Agricultural Development Programme (IADP), land consolidation and rehabilitation as well as agricultural support services will continue to have positive impact on poor households, especially through improvements in productivity, commercialization of farm activities as well as marketing. Furthermore, activities which generate non-farm incomes will be encouraged among farmers as part of the overall strategy to generate additional income in the rural sector.

1.91 Programmes which are aimed at expanding the educational and health facilities for the rural population will benefit the poor families. In the case of education, residential schools in the rural areas will be further expanded to benefit rural pupils who need a more conducive environment for learning. In terms of health facilities, increased allocation will be provided through the upgrading of rural health services for the benefit of low-income families. Supporting all these programmes will be the expansion of infrastructural facilities and amenities, especially electricity and water supply.

1.92 Villages, including those which were previously known as *new villages*, and which had been hampered by the lack of land resources will be given opportunities, wherever feasible, to expand their area to avoid overcrowding and enhance employment generating opportunities. Similarly, in the estate sector, the Government will implement specific strategies to improve housing, health, educational and social conditions in the sector to enhance the quality of life of the estate population. While employers have a responsibility to provide some of these facilities, in those areas where large capital outlay is involved with regard to the connecting of piped water from public mains and the electricity supply and the provision of other basic amenities, the Government will provide assistance to estate employers by bringing these facilities to the fringes of the estate to enable the estate to draw from these supplies. The Government will also undertake to provide and improve educational, health and other related facilities in estates. As regards the workers' house ownership scheme, the Government will undertake administrative and other measures to facilitate estate management to respond more favourably to the implementation of more of such schemes.

### *Relative Poverty*

1.93 Greater efforts will be made to reduce relative poverty both between and within groups. During the Sixth Plan, apart from creating opportunities for the low-income group, continuous efforts will be made to further improve their skills and productivity in order to reduce income gaps, especially between the top 20 per cent and the bottom 40 per cent.

1.94 Several programmes will be implemented during the Sixth Plan to address this problem. *Firstly*, problems of uneconomic-sized holdings as well as idle land will be dealt with more vigorously through better land utilization on a commercial basis. *Secondly*, more efforts and resources will be directed at developing and strengthening economic and commercial linkages through programmes such as the establishment of rural industries and the provision of modern services to the rural sector. *Thirdly*, policies that promote a faster growth of value-added activities in agriculture will be implemented as part of the overall effort to modernize the rural sector, towards greater industrial and commercial development. *Fourthly*, policies and programmes will continue to be implemented to increase income and employment opportunities as well as social amenities and services in the urban areas, especially for the urban poor.

### *Bumiputera Commercial and Industrial Community*

1.95 Consistent with the policy to create a viable and competitive BCIC, the Government will continue to assist existing as well as potential Bumiputera entrepreneurs and businessmen to establish themselves in the commercial and industrial sectors. Towards this end, a special fund has been created by *Yayasan Pelaburan Bumiputera* with an initial amount of \$200 million.

1.96 The role of public enterprises and trust agencies will be consolidated and made more effective under the Sixth Plan. A major strategy will be to allow the agencies to have greater freedom and authority with respect to corporate and business decision-making to enable them to plan and implement programmes more effectively. These agencies are expected to play a stronger consultative role for Bumiputera entrepreneurs and businesses to enable them to become more competitive. In this regard, particular attention will be given towards encouraging Bumiputera to venture into technology-based activities with the agencies providing appropriate assistance under the umbrella concept.

1.97 The Government on its part will continue to make available the necessary institutional and financial resources to further support the

development of BCIC. The support, however, will be designed and managed to encourage only the more enterprising individuals and businesses in order to promote viable Bumiputera interests and increase their presence in the economy. The Government will set up an appropriate mechanism to monitor the performances of the beneficiaries. Steps will be undertaken to ensure that the private sector will also contribute to these arrangements.

1.98 The role and contribution of small Bumiputera enterprises and traders will also be given focus under the Plan. In this regard, financial assistance, training programmes and other related projects will be geared towards assisting potential enterprises to establish themselves, especially in wholesale and retail businesses which are located in core business areas of cities and towns.

1.99 Another important measure that will be implemented during the Plan period is the development of a complementary and effective linkage between the role of Bumiputera commercial and industrial associations with that of the government institutions and trust agencies. The linkage will enable greater coordination of commercial activities, strengthening of data base for entrepreneurs, providing advisory roles and developing potential for more strategic participation by Bumiputera in the modern sectors of the economy.

#### *Management and Employment Restructuring*

1.100 Building upon past achievements, the strategies under the Plan will be to support the efforts to accelerate the supply of Bumiputera professional, managerial, technical and skilled manpower as a prerequisite to further meeting the objective of employment restructuring. Towards this end, the Plan will give particular attention to the participation of Bumiputera in various occupations at managerial and supervisory levels.

1.101 The Government, on its part, will ensure that while the overall thrust for restructuring the employment pattern continues under the Plan, special emphasis will be given to improve the quality of manpower in line with the acceleration of industrial and technological growth in the country. Necessary conditions that arise from this will be the upgrading of existing educational and training facilities available in the country, especially in the rural areas. The system of award of scholarship and loan assistance will be reoriented towards job and skill requirements of the labour market. As a complementary measure, more effective criteria will also be designed for better choice of candidates.

1.102 In line with the policy of private sector-led growth, the private sector is expected to play a more active role in employment restructuring by providing greater job opportunities to Bumiputera, especially at the skilled, professional and managerial levels. To facilitate a greater absorption of Bumiputera, the private sector is expected to take positive steps to provide opportunities for skill upgrading through the provision of training, retraining and attachment programmes in collaboration with the public sector.

1.103 Concurrent with this, the Government will also emphasize the restructuring of employment in sectors in which the non-Bumiputera are presently underrepresented, in particular in modern agriculture and at all levels of government services. However, this will have to be undertaken in tandem with greater absorption of Bumiputera at the higher levels and categories of occupations in the private sector.

1.104 Appropriate measures will be undertaken by the Government to assist the private sector attain employment restructuring. These include encouraging smaller companies to expand and create more employment opportunities as well as implementing appropriate arrangements on a cooperative basis with the private sector to allow its managerial personnel to have the right exposure to business and commercial practices.

1.105 In view of the contribution by public enterprises to the creation of viable Bumiputera managerial skills and entrepreneurs, these agencies are expected to pursue their role more vigorously. As they diversify their activities into new commercial and industrial activities on a joint-venture basis, the agencies will further create opportunities to increase the supply of Bumiputera manpower.

#### *Ownership, Control and Participation in the Corporate Sector*

1.106 During the Sixth Plan period, the rapid growth in the corporate sector will create better opportunities for balanced participation of all ethnic groups. While this will allow the non-Bumiputera to take advantage of the opportunities created, Bumiputera and other lagging communities will continue to require support from the Government. This implies that greater efforts will be made to harness more Bumiputera resources to be channelled for productive investments. This will be undertaken, among others, through more vigorous programmes to mobilize and manage Bumiputera resources. In this connection, a study will be undertaken to examine the feasibility of mobilizing the *zakat*, *wakaf* and other *Baitulmal* funds with a view to increasing further Bumiputera participation in the corporate sector.

1.107 Bumiputera trust agencies and other relevant public enterprises are expected to be more innovative in creating new assets, especially in the industrial and services sectors. *Permodalan Nasional Berhad* (PNB), as a leading institution for Bumiputera investors will further diversify its resources and undertake new investment programmes on a joint-venture basis directly with potential Bumiputera investors and entrepreneurs. Its role in managing the *Amanah Saham Nasional* (ASN) Scheme, together with the newly constituted *Amanah Saham Bumiputera* (ASB), will continue to enhance the capability of Bumiputera community in acquiring corporate assets. Apart from PNB and other trust agencies, particular attention will be given to other institutions such as *Lembaga Urusan dan Tabung Haji*, Police Cooperative and *Lembaga Tabung Angkatan Tentera*. These institutions will also have to participate in corporate restructuring activities as they accumulate substantial Bumiputera savings.

1.108 A number of complementary measures will be formulated to strengthen the ownership and participation of Bumiputera during the Plan period. The privatization programme will be implemented to contribute towards increasing Bumiputera equity and their participation in the management of the privatized ventures. Special measures will be instituted to ensure that Bumiputera interests who are given the opportunities to benefit from privatization programmes will continue to remain the major beneficiaries of the privatized ventures. At the same time, opportunities will also be provided to non-Bumiputera to participate in the privatized projects. In addition, the restructuring of companies in the corporate sector will be undertaken in a liberal manner based on the merits of each case and taking into account the importance of majority ownership to foreign and local investors. Greater focus will be given towards encouraging wider participation of Bumiputera-controlled enterprises in sectors where their corporate interests have been particularly low.

1.109 As the Government is concerned with the dilution of Bumiputera ownership and control in the corporate sector, the procedures with regard to ownership and divestment of reserved shares by Bumiputera will be streamlined in order to ensure that the benefits derived will be consistent with their long-term interests. The Government will also introduce appropriate measures to encourage the establishment of genuine joint-ventures between Bumiputera and non-Bumiputera or foreigners. For this purpose, the existing rules and conditions pertaining to the qualification of Bumiputera companies to benefit from business opportunities that are available within the government sector will be reviewed in line with this objective.



## **Regional Development Strategies**

1.110 An important dimension of balanced development is to reduce the disparities in social and economic development across regions and states in Malaysia and to bring the standard of living and quality of life of the lesser developed states at par with the richer states. During the Sixth Plan period, efforts will continue to be directed at diversifying the economic base of the lesser developed states and expanding their social, economic and physical infrastructures with a view to enhancing development in these states and increase their attractiveness to private investors. Further, the availability of better infrastructural facilities will contribute to the expansion of industries and commercial agriculture and facilitate labour mobility across states.

1.111 In order to speed up the process of development on a more integrated and coordinated basis as well as to further disperse industrial development, the Government will implement the strategy of developing industrial specialization by location. This will induce a more balanced development of industries as well as promote a more organized industrial structure. The Government has identified six such specialized zones for specific industry groups. To facilitate the implementation of the strategy, other necessary complementary programmes will be planned accordingly. These include the development of industrial estates by the private sector.

1.112 The Government is presently formulating the National Urbanization Policy (NUP) to provide the basic framework for a more organized urbanization process and well-integrated rural-urban development linkages. Malaysians are increasingly concentrating their attention on a few fast-growing towns in search of better employment and income opportunities as well as for attractions of urban life. Besides the possibility of Kuala Lumpur becoming a primate city, overconcentration of development in Kuala Lumpur and a few towns like George Town and Johor Bahru will create undesirable consequences like urban congestion, increased transportation costs, squatters and other social problems. NUP is to assist the Government to improve the plans of urban development and avoid such undesirable external diseconomies.

1.113 To ensure sustainable development and maintenance of environmentally sound economic development, the Government is formulating the National Conservation Strategy. Even though Malaysia has rich and diverse natural resources like timber, petroleum and gas, the development of states now dependent on these resources is not sustainable if these resources are not optimally exploited. Apart from

efforts to reforest or replenish these resources, conservation measures will continue to be undertaken. Emphasis will also be given to develop greater value-added and downstream activities for these resources. Malaysia has played a major role in articulating the need to pay due attention to environmental considerations in world forum as demonstrated by the Langkawi Declaration on the Environment.

1.114 The Government will continue to exploit other potential to enhance economic growth and promote balanced regional development. In this connection, the efforts of Johor to cooperate with both Indonesia and Singapore within the context of the triangle of growth in the south is in line with this development strategy. With the second crossing linking Johor with Singapore, the development of a second port and a new growth centre in south-west Johor, the state is expected to become the growth centre in the southern part of Peninsular Malaysia. In order to accelerate the development of the States of Sabah and Sarawak, the creation of Labuan as an international offshore financial centre will generate the growth momentum to spearhead their development. Under the Langkawi Development Authority, the island of Langkawi will be progressively planned as a major tourist and recreational island resort both for locals and foreigners. The Government will ensure that the island is developed with good ecology and clean environment by preserving, as far as possible, its natural beauty and attraction. The Government is also formulating specific strategies and programmes to develop the areas bordering Thailand to accelerate development in the northern part of Peninsular Malaysia.

### **Human Resource Development**

1.115 Human resources are a critical factor which need to be fully developed if the nation is to succeed in its quest for economic and social development. Human resource development not only helps to increase factor productivity, but will bring about better distribution of income and assist in achieving the restructuring objective of NDP. An effective human resource-led development strategy will be increasingly important as the manufacturing and the services sectors, which will be the main engine of growth in the Sixth Plan, become more information and knowledge-based. An accelerated growth of these sectors will be attainable mainly through increased knowledge and skills. The quality of the labour force, in terms of its ingenuity and innovativeness and capacity to absorb and adapt technology as well as in terms of motivation to compete, will need to be further enhanced.

1.116 Human resource development strategies over the Sixth Plan will thus encompass the following objectives. *Firstly*, labour productivity will be enhanced to meet the requirements of the nineties and beyond, while opportunities for holding more rewarding jobs with higher skill content and prospects will be developed in line with increasing aspirations of the workforce. *Secondly*, the efficiency of the labour markets will be improved and labour mobility increased to avoid skill mismatches, localized shortages and other effects of labour market rigidities. *Thirdly*, the quality of education will be improved and access to educational and training opportunities to all sections of society will be improved so as to contribute towards meeting the manpower needs and the goals of employment restructuring. *Fourthly*, a better system of wage adjustment which relates wage movements to productivity changes will be formulated. The system which will be in the best interest of employers and workers will provide more incentives to employers to operate at higher employment levels. At the same time, the system will also result in less labour retrenchments during periods of economic downturn.

1.117 The Government, through its education and training programmes, will continue to upgrade efforts to provide educated and trainable workforce with skills, usable across sectors and industries. The private sector will be encouraged to play a more active role in training and skill development. For this purpose, the private sector will be allowed to use government facilities during periods when such facilities are available, to carry out their own training programmes to meet their specific needs. As a longer term measure, the private sector through their trade associations, will be encouraged to set up industry-specific training centres to meet the needs of their particular industries. In addition, in order to provide increased accessibility to higher education, especially in professional and managerial disciplines, twinning arrangements between reputable foreign and locally established private training and higher education institutions will continue to be encouraged.

1.118 Specific measures will be taken to improve the efficiency of the labour market and thus reduce mismatches between demand for and supply of labour. There will be closer monitoring of the labour situation with the view to identifying current shortages, future demand and new skill requirements as well as coordinating training efforts.

1.119 Greater efforts will be made to further improve labour mobility, thus facilitating the matching of demand and supply. Such measures include efforts by the Manpower Department to upgrade its role in counselling, career guidance and placement as well as the development of private employment agencies. Other measures include the

encouragement of employers to provide social amenities, living quarters and transport for employees to attract workers into areas where localized labour shortages occur.

1.120 Aside from the physical and intellectual qualities of human resources, the possession of positive values shared among all Malaysians is equally important. As Malaysia moves from an agricultural to a predominantly industrial-based economy, there must be simultaneous move towards fostering a new set of values. At the workplace, Malaysians will be encouraged to cultivate a greater degree of industrial discipline and enhance the pursuit of excellence and develop other positive attributes such as honesty, integrity, diligence, dedication, cooperation, dynamism and creativity. Thus, human resource development efforts will need to reinforce Malaysia's cultural heritage for tolerance, justice and unity and promote nation building in an era of rapid industrialization. A strong sense of belonging, loyalty and love for the country will continuously be fostered. The sum total of these efforts to inculcate these values will contribute significantly towards the realization of a fully developed nation by the year 2020.

#### **Enlarging the Science and Technology Base**

1.121 The source of growth in the future is expected to be generated more significantly from productivity growth and factor efficiency. This is to be achieved through strengthening the S&T base and R&D capabilities. In the rapidly changing world economy, the country's position in international trade depends on its competitiveness and technological progress.

1.122 With regard to R&D, it is recognized that at present Malaysia has achieved a satisfactory level of competence in R&D in agriculture. Many of the nation's agricultural research institutions are already well established. The main focus over the Sixth Plan will, therefore, be the development of R&D capability in the industrial sector. The public sector will contribute to this development by upgrading the capability of existing public sector R&D institutions, particularly those concentrating on industrial development. There will also be closer interaction between such institutions with the private sector to improve the relevance of the research undertaken and to facilitate the adoption and commercialization of new research findings. Other important efforts include the upgrading of the research capabilities of local universities and the establishment of a science and technology park to provide facilities for industrial R&D. The private sector is expected to play a more active role in industrial R&D.

1.123 The Government's S&T Policy will help to provide an environment that is conducive to innovation and application of technology. Apart from further increases in S&T investments, attention will also be focussed on S&T education as well as the development of high-level S&T manpower.

## **VI. CONCLUSION**

1.124 Despite the uncertainties in the external environment, the overall prospect for the Malaysian economy over the next five years is promising. The strategies instituted under the Sixth Plan will pave the way towards creating a nation characterized by greater resilience and dynamism, relying more on private sector initiative, and where the fruits of development will be shared by all Malaysians. While recognizing the need for greater involvement of the private sector to propel the economy to higher and sustainable growth, the public sector's role in achieving these results will still be important. Thus, appropriate public sector programmes will be put onstream in support of this role.