

MALAYSIA'S MOVE TOWARDS A HIGH INCOME ECONOMY

*FIVE DECADES OF NATION
BUILDING - A VIEW FROM WITHIN*

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**1st MAY 2014
KUWAIT CITY, KUWAIT**



MALAYSIA: TODAY

Total population 2013:

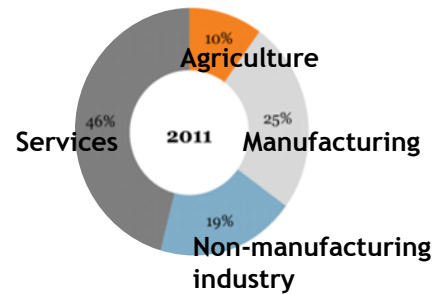
29,974,054

54% are middle class

Per capita income
(as of 2013)

US\$ 10,687

Structure of the economy



Oil & Gas sector
contributions:

20%
of GDP

35%
Government
revenue

MALAYSIA

MALAYSIA: TODAY

Global Competitiveness
Index (GCI) 2013-2014

Malaysia
ranked: **24th**

The Ease of Doing
Business 2013

Malaysia
ranked: **6th**

Quality of Infrastructure
2012-2013

Malaysia
ranked: **29th**

Global Innovation Index
(GII) 2013

Malaysia
ranked: **32nd**

MALAYSIA

A map of Southeast Asia is shown in the background, with Malaysia highlighted in blue. The word "MALAYSIA" is written in red capital letters over the highlighted area.



MERCEDES GP
PETRONAS
FORMULA ONE TEAM

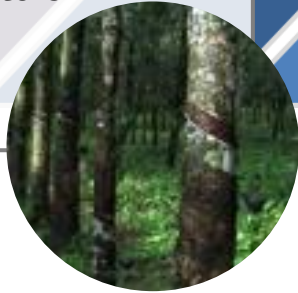
FROM THE EARLY DAYS

1957 to late 1970s

Agriculture Based Economy

Basic Input Factors

- Land
- Labour



1980s to mid 1990s

Resource-Led Economy

Basic Input Factors

- Infrastructure
- Collateralized risk-free capital
- Labour

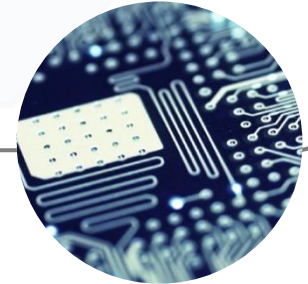


Late 1990s to 2020

Innovation-Led Economy

Critical Success Factors

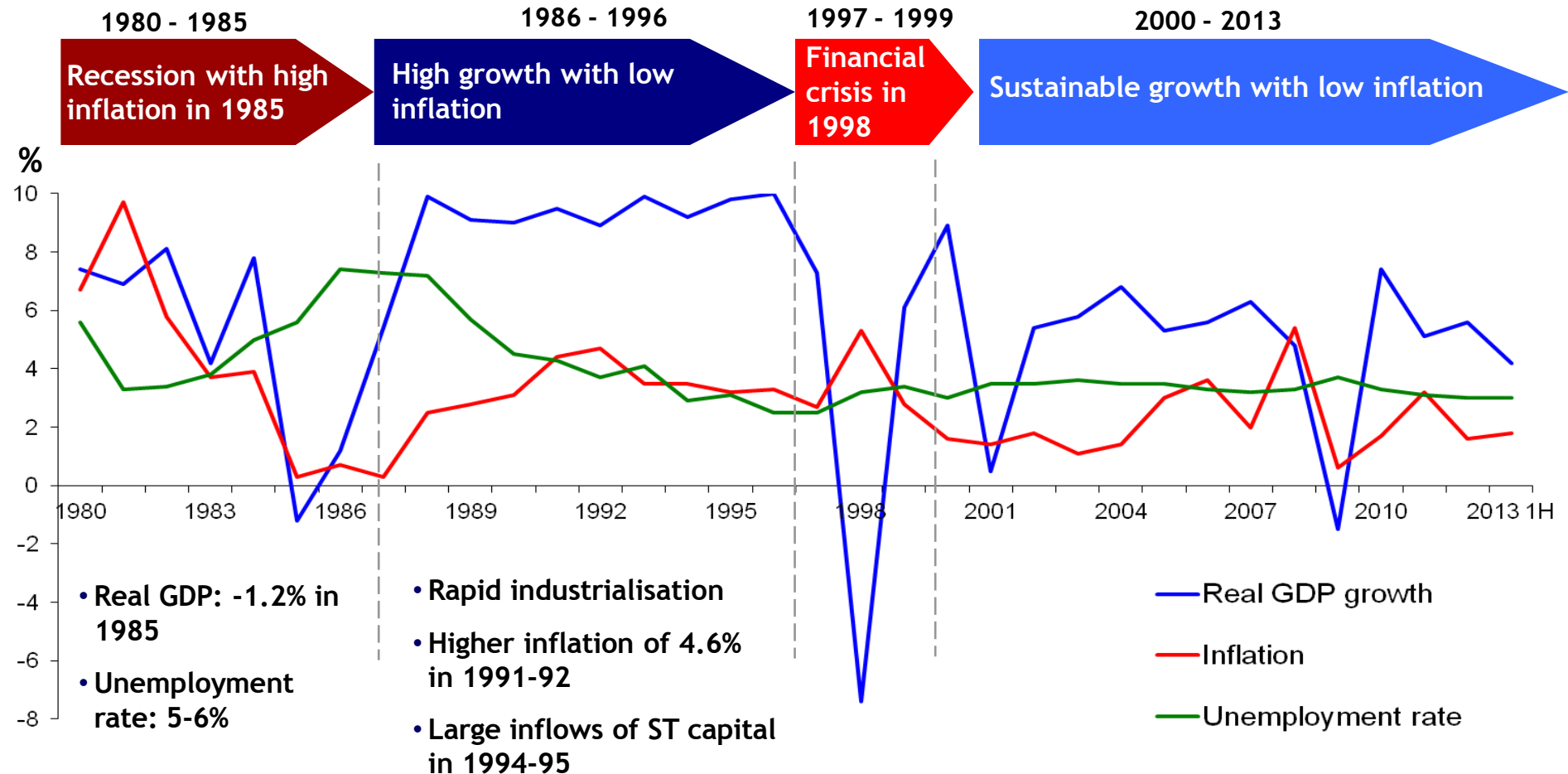
- Technology
- Market
- Funding (risk capital)



Rewards are rapid and sustainable:

- Wealth creation
- Employment creation
- Societal well being

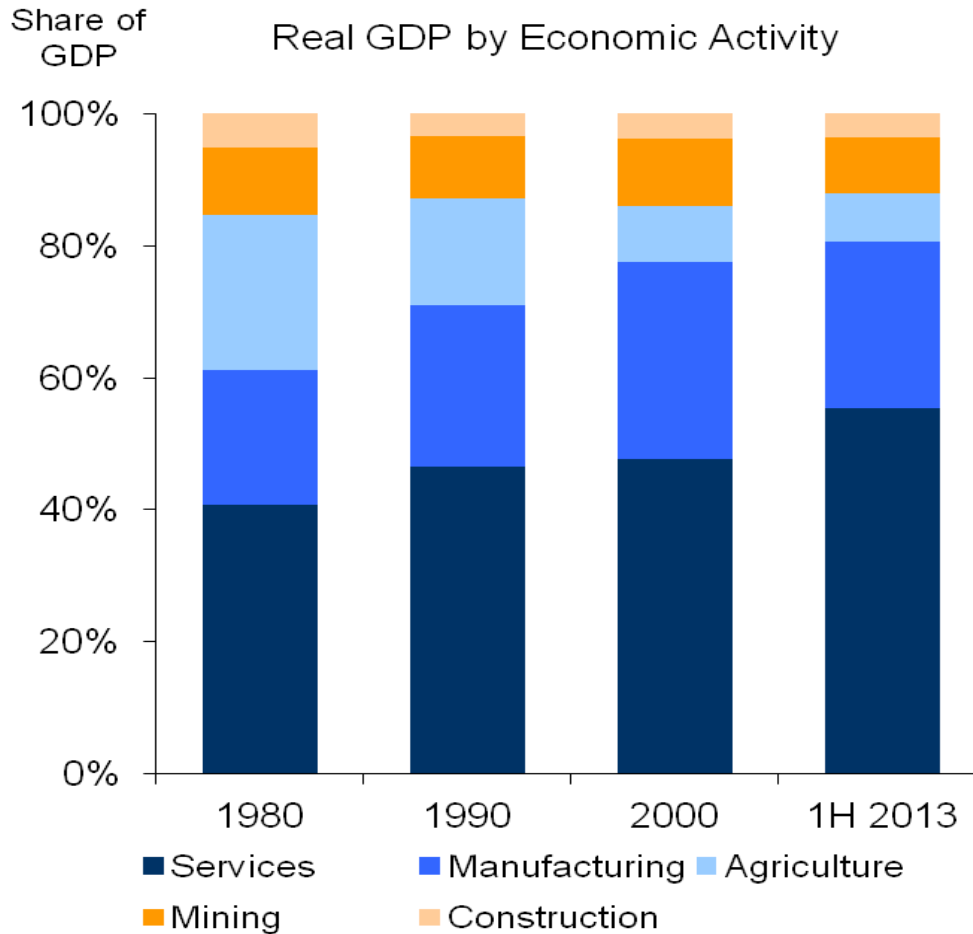
Malaysia has achieved sustained economic growth with low inflation and low rate of unemployment



Source: Department of Statistics, Malaysia

Significant structural shift in the economy in the 3 decades

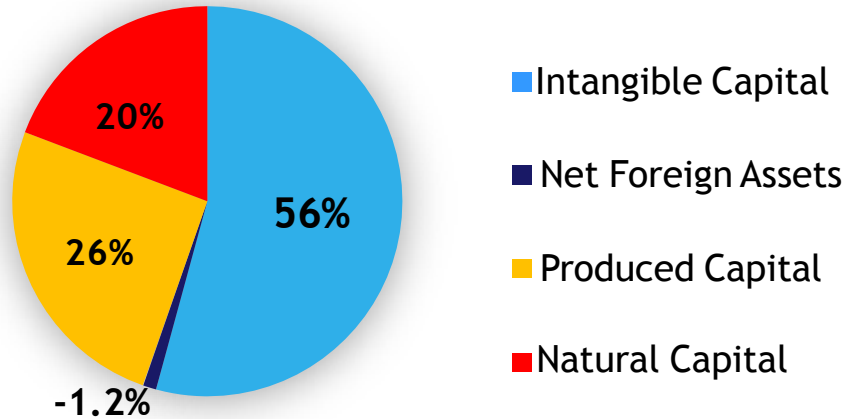
From manufacturing-dependent to services-driven economy



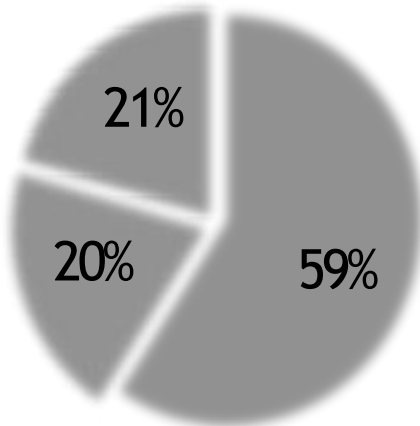
Source: Department Of Statistics, Malaysia

From an asset perspective, 20% of Malaysia's wealth is in natural capital

Malaysia's wealth composition*

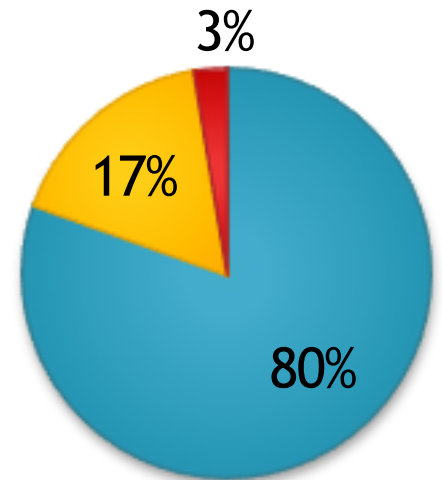


Average wealth composition of a middle income nation*



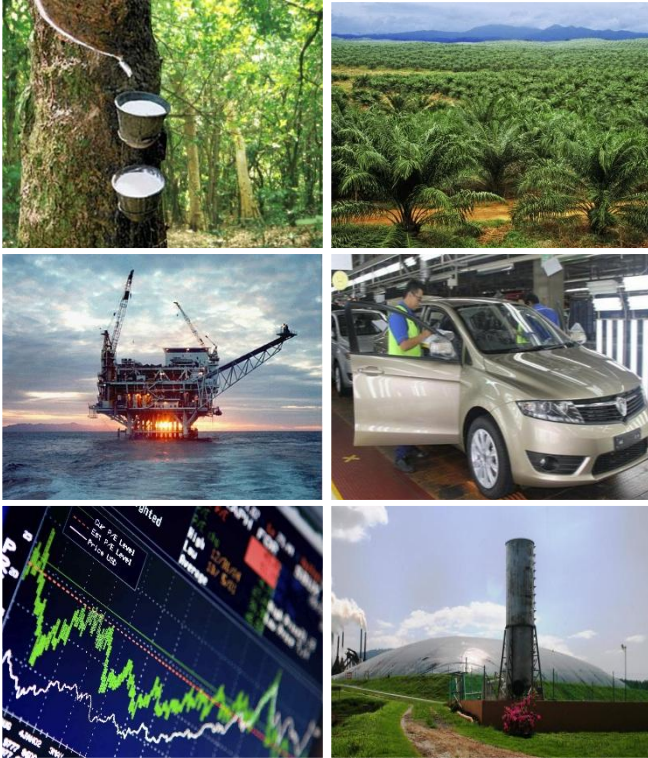
Source: World Bank

Average wealth composition of a high income nation*



* LATEST AVAILABLE WEALTH DATA IS IN 2005

THE CHALLENGES



Availability of resources and infrastructure

Technology know-how

Commodity prices

Rising environmental concerns

PRESERVING COMPETITIVENESS

Malaysian competitiveness has been preserved by the following factors:

Intergenerational equity

- Malaysia was one of the very few resource-rich nations that invested more than the resource wealth extracted

Successful horizontal and vertical diversification of economy

- Horizontal shift from primary sectors to manufacturing
- Vertical shift from upstream (raw) to downstream rubber and oil&gas
- Ensuring strong backward and forward linkage for commodities

Inflation and wage pressures contained

- Lower inflation compared to its peers (CAGR: +2.3%) *
- Productivity growth (+3.2%^) exceed wage growth (+2.7%^)

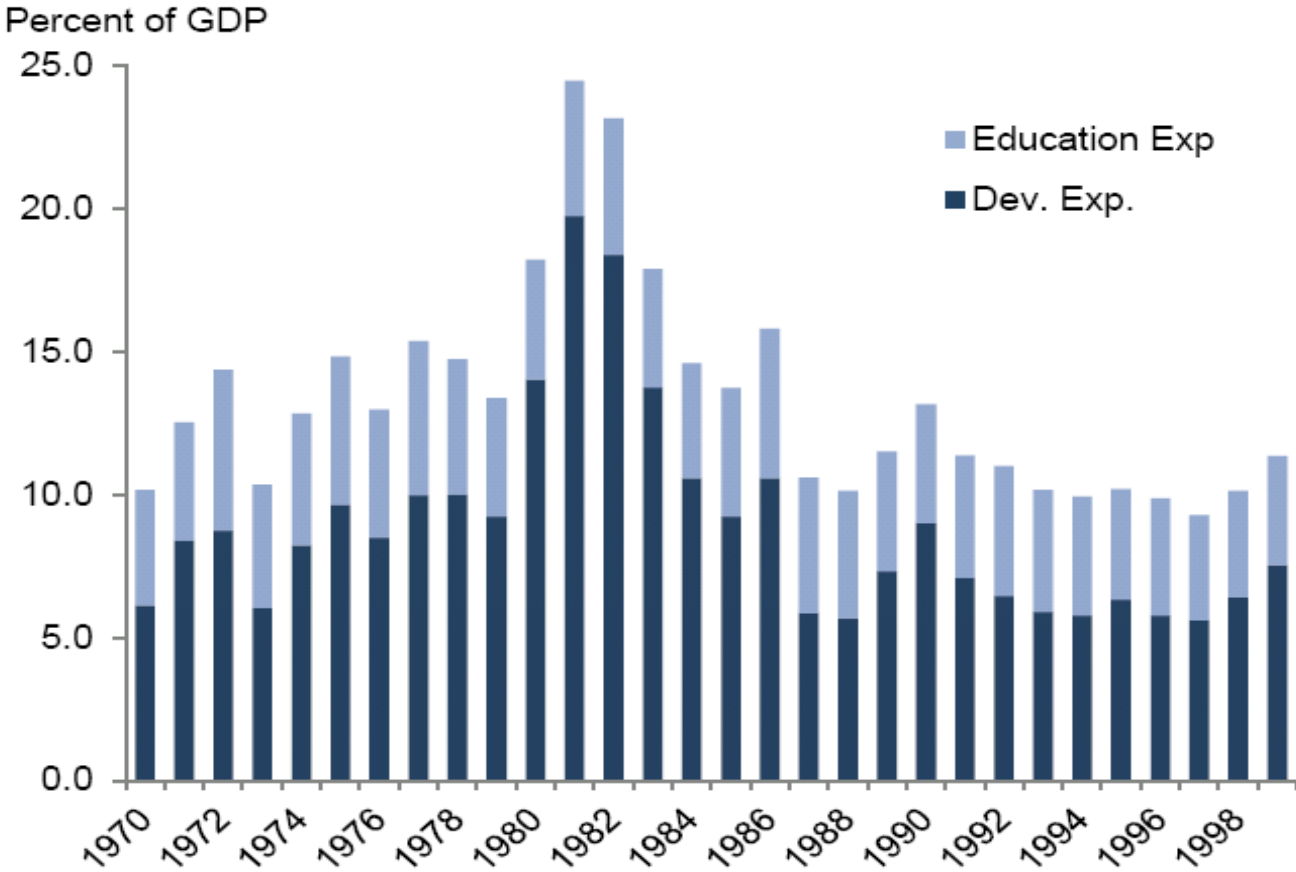
Note:

- Refers to period between 2002 - 1Q 2013
- ^ CAGR, refers to period between 2001 - 1Q 2013

Source: Bank Negara Malaysia

Successful recycling of resource rent toward capital spending and less for consumption

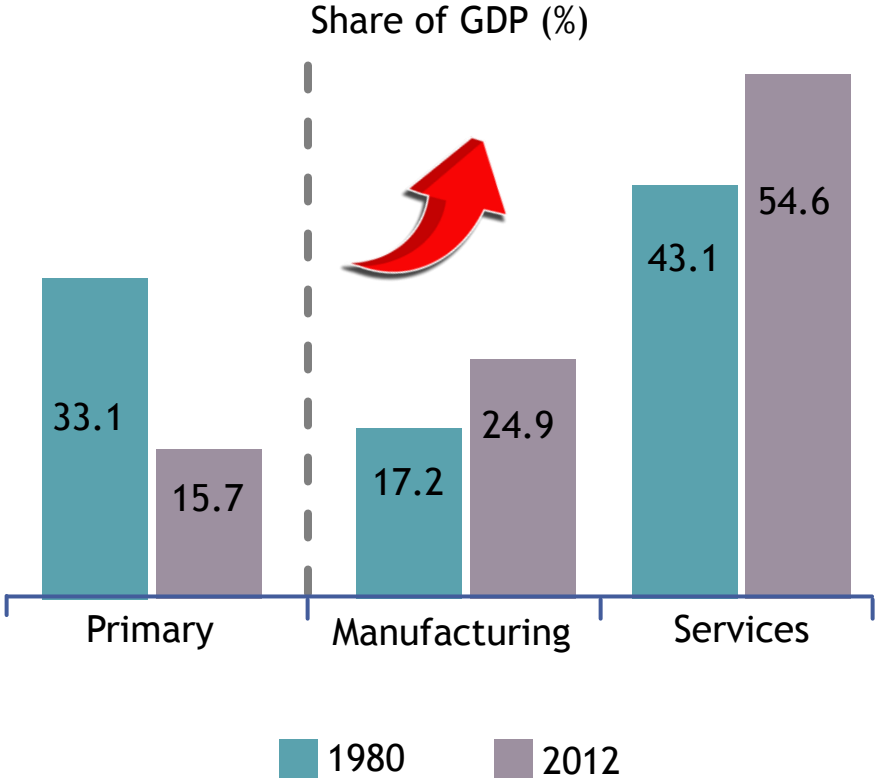
Spending on capital expenditure was high, financed by the resource rent from PETRONAS



Source: CEIC, World Bank staff calculations

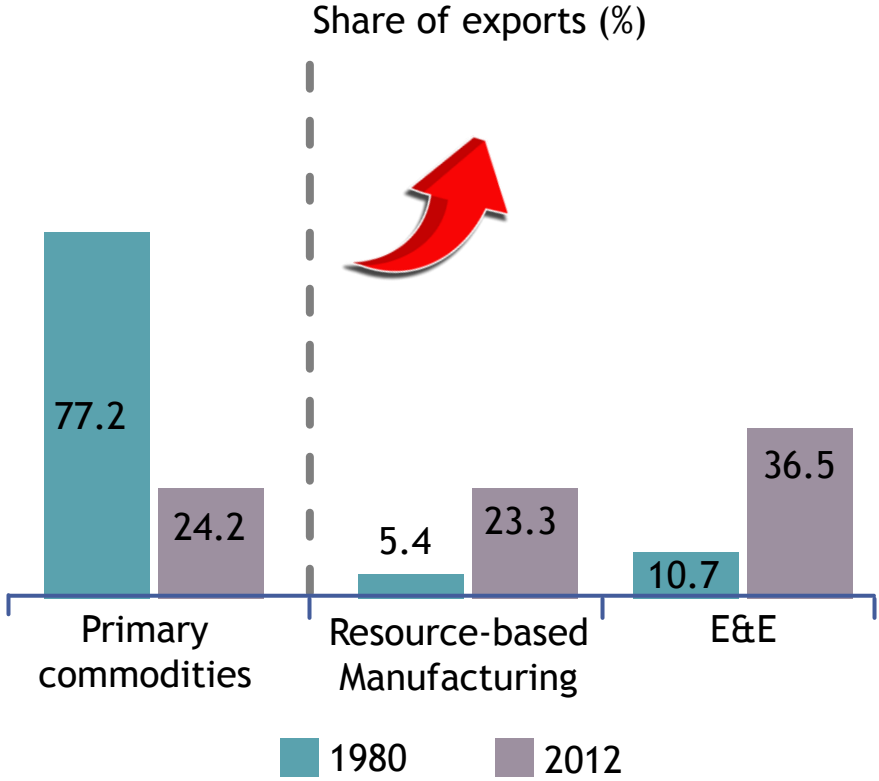
Successful horizontal and vertical diversification of the economy away from commodities

Horizontal diversification towards other source of growth



Source: Economic Planning Unit and Department of Statistics, Malaysia

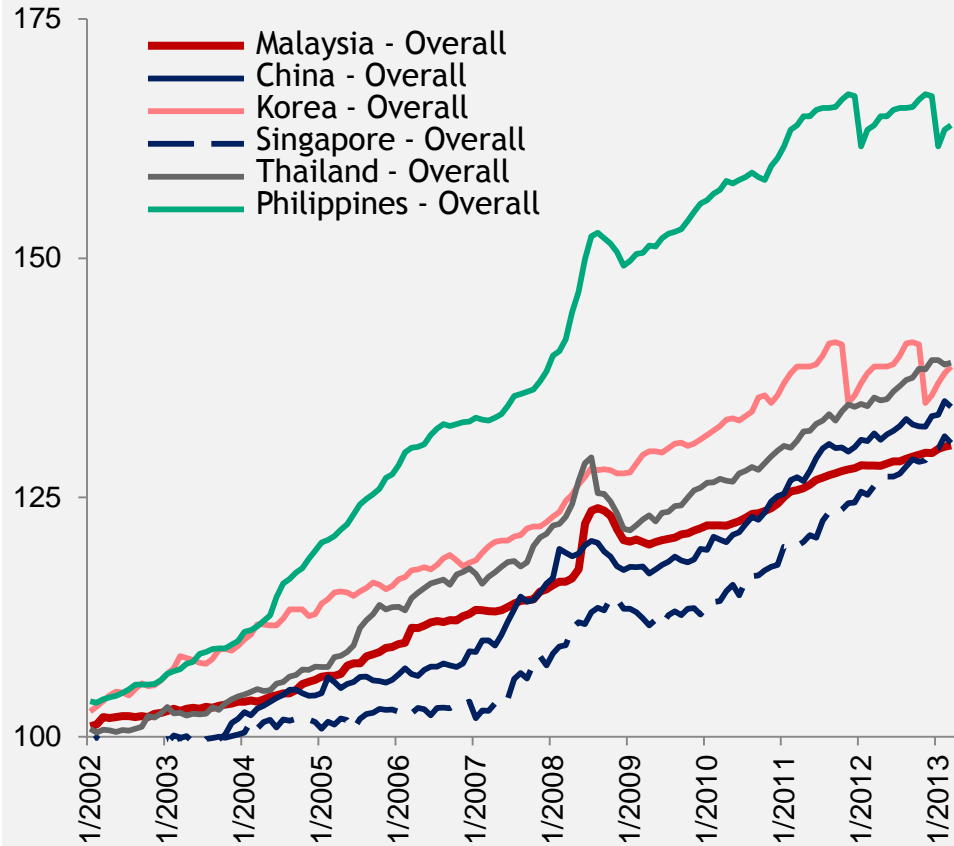
Vertical diversification towards higher value-added products



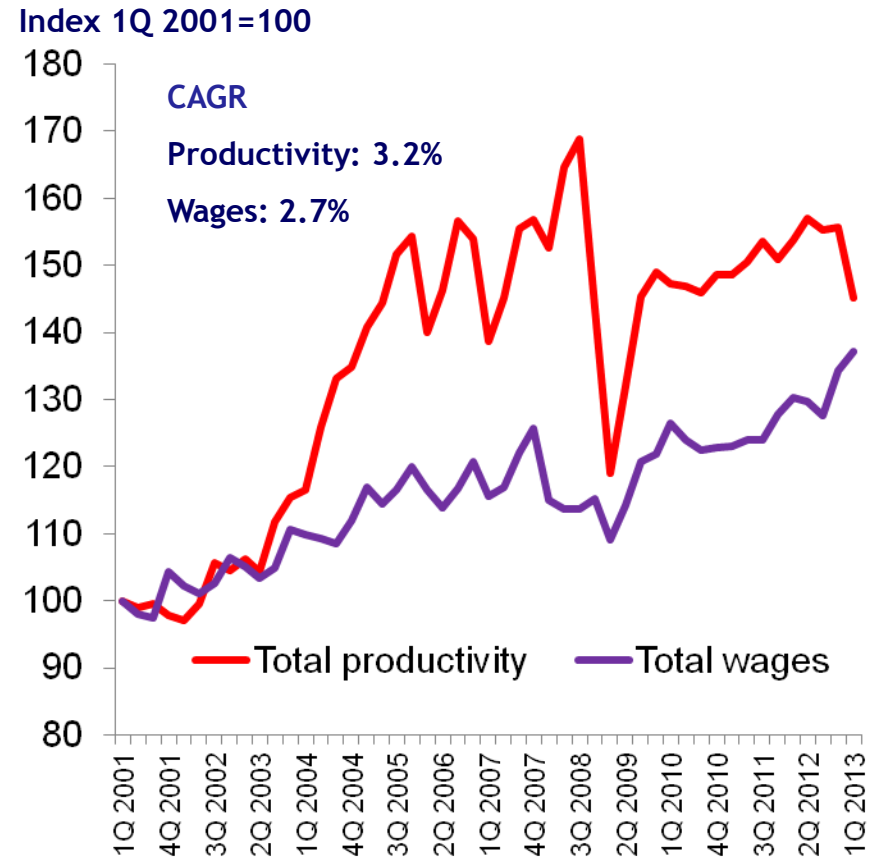
Source: Department of Statistics, Malaysia

Inflation and wage pressures were contained

Inflation rates have been low compared to peers



Wage growth in manufacturing has been relatively stable, and lower than productivity growth



PREREQUISITE FOR DEVELOPMENT

SUSTAINED GROWTH Legal framework

Policy & regulations

Strong governance

TECHNOLOGY

Visionary leadership

CAPABILITY

Foresight

Education & Training

Political stability

Abundance of natural resources

Political Stability

TRANSPORTATION & LOGISTIC

Connectivity & Communication

Sound planning mechanism

Incentives & Funding

INFRASTRUCTURE

FORESIGHT & FUTURES THINKING

New industries

Investment opportunities

POLITICAL & SOCIAL STABILITY

HOW DID WE GET TO WHERE WE ARE?



Development Plans



Infrastructure development



STI Integration

DEVELOPMENT PLANS

Malaysia Plan (every 5 years)



1st Malaysia Plan (1966 - 1970)

10th MP (2011 - 2015)

National Agenda

VISION 2020

Industry

The Green Book Programme

IMP1

IMP2

IMP3

S&T

ST1

TAP

ST2

NPSTI

1957

'70

'75

'80

'85

'90

'95

2000

'05

'10

'15

2020

LOOKING AHEAD

VISION 2020



Preservation and enhancement of unity in diversity

1 Malaysia

*People First,
Performance now*



Effective delivery of government services

Government Transformation Programme (GTP)
6 National Key Result Areas (NKRAs)



New Economic Model - A high income, inclusive and sustainable nation

Economic Transformation Programme (ETP)
8 Strategic Reform Initiatives (SRIs)



Smooth implementation of government's development programme

10th Malaysia Plan
Macroeconomic growth targets & expenditure allocation

Science & Technology Support

NATIONAL TRANSFORMATION PROGRAMMES



6 NKRA



Reducing Crime



Fighting Corruption



Improving Students Outcomes



Raising Living Standards of Low-Income Households



Improving Rural Basic Infrastructure



Improving Urban Public Transport

12 NKEAS



Oil, gas & Energy



Palm Oil



Financial Services



Tourism



Business Services



Electronics & Electrical



Wholesale & Retail



Education



Healthcare



Communications, Content & Infrastructure



Agriculture



Greater Kuala Lumpur



133 ENTRY POINT PROJECTS

INFRASTRUCTURE DEVELOPMENT



31
Ports



5
International
Airports



500
industrial estates
and Free Zones

5 Economic
Corridors

 **KORIDOR
UTARA**
> 20,000
jobs


**ISKANDAR
MALAYSIA**
817,500
jobs


**EAST
COAST
ECONOMIC
REGION**
1.92 mil
jobs


SABAH
DEVELOPMENT CORRIDOR
900,000
jobs


**SARAWAK
SCORE**
CORRIDOR OF RENEWABLE ENERGY
662,065
jobs

STRENGTHENING RESOURCES



>20 Cybercities/
Cybercentres



21 Public universities



90% of the workforce is
under 30 years of age



MIDA



TalentCorp
MALAYSIA



STANDARDS
MALAYSIA

MPC



PEMBANGUNAN SUMBER MANUSIA BERHAD

HDC



Perbadanan Harta Intelek Malaysia
Intellectual Property Corporation of Malaysia
www.myipo.gov.my

MIGHT

STI INTEGRATION



To streamline and monitor STI projects, policies & achievements towards sustainable growth beyond 2020



GSIAC is set-up to be a sounding board in Malaysia's effort to improve and optimize it's national capabilities in the field of Science & Innovation



To pursue, encourage and enhance excellence in the fields of Science, Engineering and Technology, for the development of the nation and the benefit of mankind

THE NATIONAL POLICY ON STI

NPSTI 2013 - 2020

- Takes stock of the **successes, challenges, lessons learnt and prospects** of STI development at national and international levels
- Sets out a new and **focused approach** to harness the full potential of STI to achieve the nation's goals
- Represents the **nation's commitment** towards revitalising the national STI ecosystem
- Positions Malaysia to become a scientifically advanced nation for socio-economic transformation and inclusive growth by 2020.

HARNESSING STI FOR SOCIO-ECONOMIC TRANSFORMATION AND INCLUSIVE GROWTH

6 STRATEGIC THRUSTS



ST 1: Advancing Scientific and Social Research, Development and Commercialisation



ST 2: Developing, Harnessing and Intensifying Talent



ST 3: Energising Industries



ST 4: Transforming STI governance



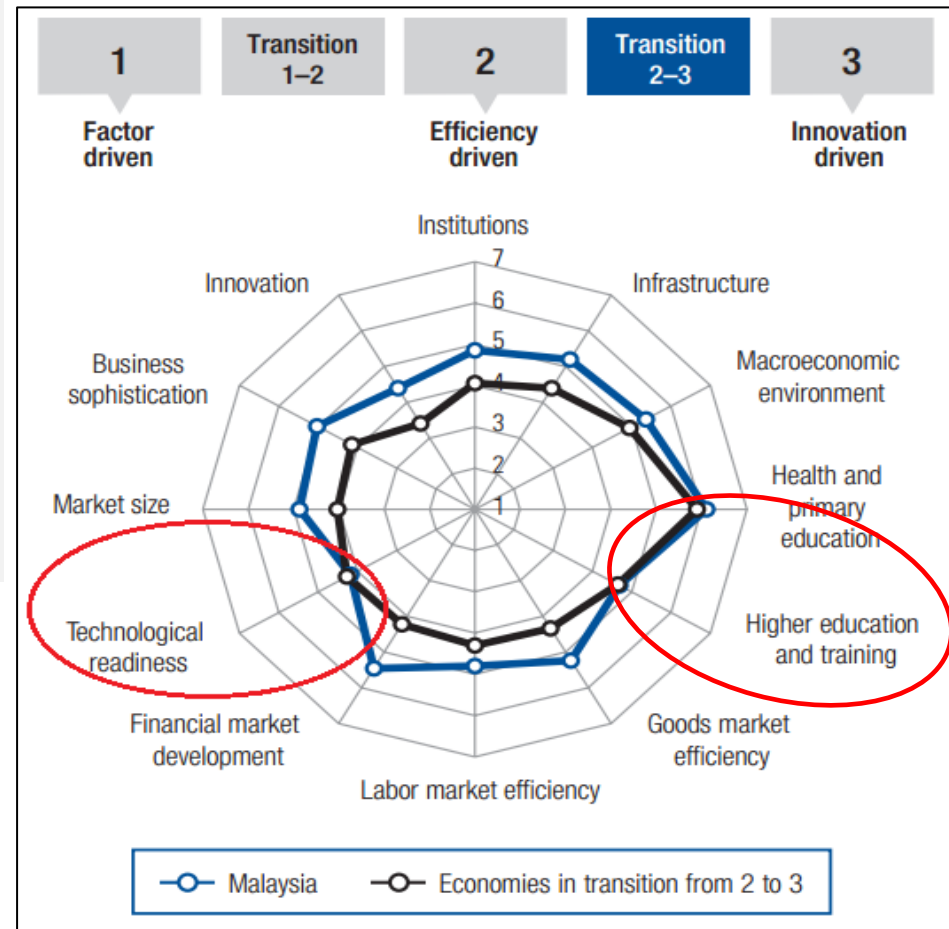
ST 5: Promoting and sensitising STI



ST 6: Enhancing strategic international alliances

ISSUES & CHALLENGES

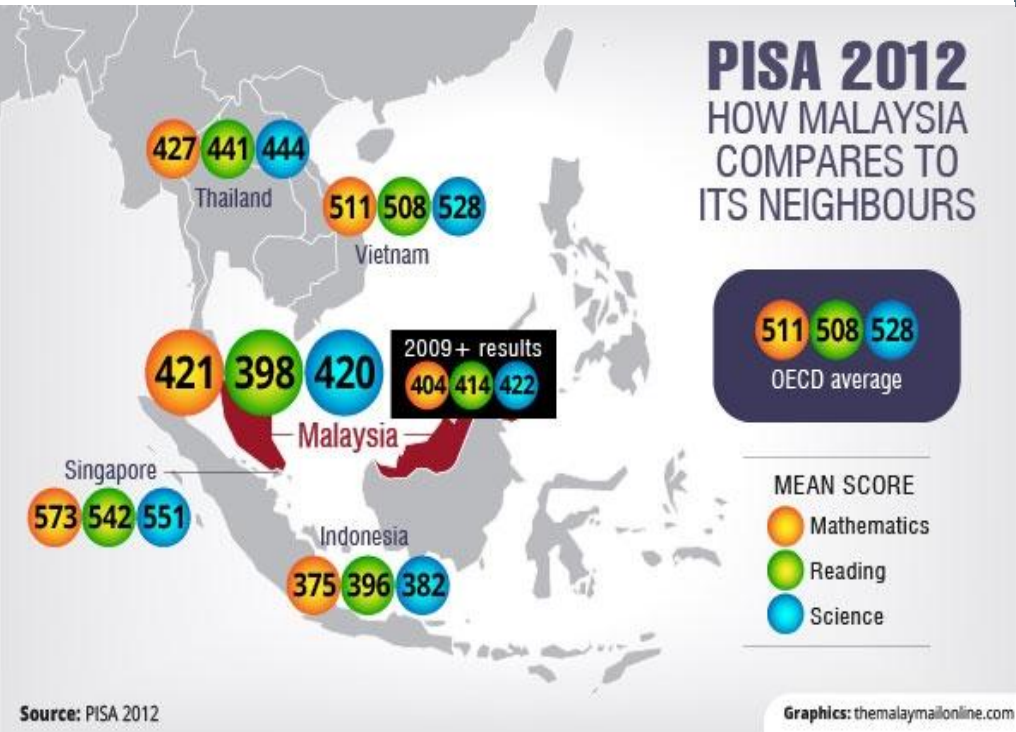
Improvement in technological readiness and higher education parameters are utmost important to boost Malaysia's ranking in the global competitive index



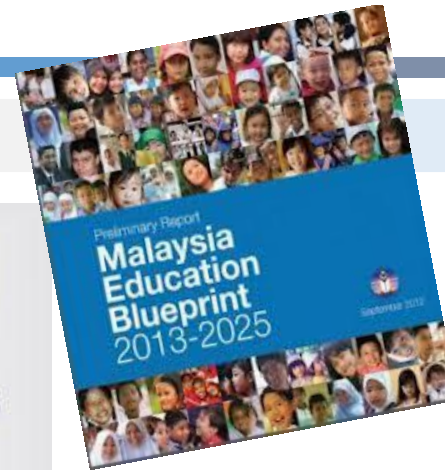
Source: World Economic Forum; Global Competitive Report 2013-2014

ISSUES & CHALLENGES

Our current standing



Our targets



Targets:

*Wave 2 (2016-2020) where Malaysia's performance will be at par with the international average of PISA and TIMSS benchmarks; and

*Wave 3 (2021-2025) where Malaysia's performance on PISA and TIMSS will be in the top third of PISA and TIMSS assessments.

Education is significant factor in the development of children, communities and countries



Thank you

