

THE Malaysian economy remained resilient up to the third quarter of 2006. Gross Domestic Product (GDP) grew by 5.9 per cent in the 3rd quarter of 2006, bringing the average GDP growth in the first three quarters of 2006 to 6.0 per cent.

The growth was largely driven by private sector investment as well as the performance of both the manufacturing and services sectors. Malaysia recorded a trade surplus amounting to RM96.21 billion during the period January — November 2006. In fact, Malaysia has recorded trade surpluses since November 1997.

Under the Ninth Malaysia Plan 2006-2010, the Malaysian economy is projected to grow at an average rate of 6 per cent. This growth will be supported by domestic demand with strong private investment and consumption. The Third Industrial Master Plan (IMP3) 2006-2020, is envisaged to lead Malaysia to achieve its vision to be a developed country by 2020.

In 2007, Malaysia's GDP is estimated to grow at more than 5.0 per cent. The two key drivers of demand will be higher government spending and an increase in private investments, particularly with the implementation of the 9th Malaysia Plan.

The Visit Malaysia Year 2007 is expected to boost domestic demand with projected earnings of RM44.5 billion from the tourism industry.

# Sustaining economic growth momentum

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Andy Seo

market and international trade has and will always be the survival of the fittest.

For businesses, in particular companies that are selling products and services globally, multi-ethnicity, multi-religiosity, minority interests, etc, are qualities termed as “diversity”, which is a key resource for global firms to leverage upon or to tap into the differences to capture more business and increase the bottom line and to be more effective as a business. Versatility in working in a multi-racial environment will lead, among others, to ease of communication, better product quality and greater market efficiency.

While businesses globally are providing training in managing diversity, Malaysians are born and bred to survive harmoniously in diversity. Multi-national corporations which have invested in Malaysia in the early 1980s were impressed with the ease of com-

With these vibrant and progressive programmes in the country, an interview with Dr Ir Andy K.H. Seo, Council Member of the Federation of Malaysian Manufacturers (FMM), Chairman of the National Productivity Corporation's Manufacturing Consultative Panel and the Regional Business Development Director of KONE Asia South, was carried out to gauge the industry's views on how Malaysia can sustain its growth momentum.

**Question: Can you please share with us some of your insights on the attractiveness of the business environment in Malaysia that has contributed to Malaysia's performance?**

**Answer:** Based on the Global Competitiveness Report 2006-2007, which was released by the World Economic Forum on September 26 2006, Malaysia ranked 9th in terms of *Market Efficiency* against 125 countries/economies.

The Market Efficiency indicator measured efficiency in three markets — the goods market; the labour market and the financial market. The goods market was in turn measured by the level of competition; economic distortions in the form of regulatory interventions and the market size, that is, the GDP and exports.

Clearly, Malaysia enjoys a high level of healthy and open competition, with comparatively low level of distortions and a large market size, particularly in the export market, and we are the 19th largest trading nation in the world. Open competition and low regulatory distortions are key qualities that contribute towards a business environment conducive to investments and trade.

Similarly, businesses also look for efficient and flexible labour

markets, as well as sophisticated and sound financial markets. There is still ample room for further improvement in the labour market, specifically in "hire and fire" regulations and the "high costs of firing". Existing regulations need to be re-looked at to ensure that they promote best human resource practices that meet the requirements of the current competitive labour market.

The manufacturing sector is not afraid of competition. We embrace competition because we are already operating in very open and liberalised domestic and global markets. We strongly believe sectors that have yet to liberalise should likewise open up to strengthen competitive capabilities, to ensure level playing fields and help the overall economy achieve greater transparency and economic efficiency.

Another important feature is political stability, good infrastructure and a government that provides numerous platforms for consultation and negotiation with the business sector on policies, procedures and legislation affecting business operations, under the Malaysia Incorporated concept.

**Q: What do you see are the major improvements or initiatives that have created a more conducive business environment and the ease of doing business?**

**A:** As mentioned earlier, the Malaysia Incorporated concept, which was introduced in 1983, was one of the key milestones in government-business collaboration. The Malaysia Incorporated concept has provided numerous platforms for the business sector to channel their views and proposals through

their respective industry organisations such as the FMM, as well as directly with the relevant agencies. Furthermore, the concept allows the private sector to have direct consultation with the Government agencies.

Our experience with the Malaysia Incorporated concept aptly demonstrates the growth of the participation of the private sector in consultative process with the government. FMM's participation in government committees, Boards and Councils, etc, have grown from 14 in 1968 to more than 164 committees at federal, state, local authority as well as statutory bodies and agencies to date.

We are involved in the consultative process from macro-economic planning such as drawing up the Industrial Master Plans, the country's five-year development plan and national budget; to international issues like negotiations on bilateral and regional Free Trade Agreements and the World Trade Organisation meetings; to industry- and issue-specific platforms like employment legislations, product standards, environment and energy, customs and logistics, etc; right down to the mundane routines of industrial estate maintenance.

Besides the Malaysia Incorporated concept, the other significant initiative is the continuous effort to improve transparency and enhance integrity in the public delivery system. The emphasis on integrity had recently seen the establishment of the Malaysian Integrity Institute in November 2003.

Transparency reinforces integrity in the national economic frame-

work; and enhances the credibility and consistency of policies and project implementation and ensures a level playing field for all stakeholders. Of greater importance, the practice of integrity would continually build and strengthen capacity to work diligently to uphold quality and meritocracy.

The industry supports the 4Cs namely, Clarity, Consistency, Credibility and Certainty in government policies, procedures and legislation. The practice of these 4Cs is very critical and we need to constantly remind ourselves and reinforce implementation to ensure that we meet national objectives without impeding competitiveness or micro-managing the economy.

Furthermore, government agencies and industry associations have already developed their own client's charter to improve the delivery system to ensure transparency. The client's charter would also reduce red tape in an organisation. This would also enhance Malaysia's image at the national and the international level.

**Q: What do you see are the strengths in Malaysia's human capital that have contributed to the success of industries in Malaysia?**

**A:** In my view, the key strength of human capital in Malaysia is our versatility in working in a multi-racial and multi-cultural environment. Today's business is pragmatic, particularly with globalisation, which recognises no national identity. Investments are made in countries offering the best operating and market conditions. Intense competition demands efficiency and effective use of resources. Competition in the global

speaking as many Malaysians speak English; and today, the rich cultural history of the Malaysian society has also been deployed to conduct business with large emerging markets like China, India and among other Commonwealth and OIC countries. These affiliations are advantages built up over decades of historical background unique to Malaysia.

Concurrently, Malaysia has also developed quality manufacturing capabilities and in learning capacity to use new technologies.

There are publications by NPC as well as FMM that serve as useful guides to industries to enhance their competitiveness.

The above qualities have brought Malaysia from a factor-driven economy or Stage 1 development according to the Global Competitiveness Report 2006-2007 to currently, Stage 2 development, which is efficiency-driven characterised by rising wages with advancing development; increasing requirement for more efficient production processes and better product quality; and competitiveness that is increasingly driven by efficiency enhancing factors like higher education and training; greater market efficiency and greater ability to harness technologies.

We have to further strengthen these capabilities in human capital to move into the transition stage into Stage 3 development, which is driven by innovation. We have to become leaders of technologies, not merely as followers.

*For more information on National Productivity Corporation and its activities, please visit [www.npc.org.my](http://www.npc.org.my) or call toll-free 1800 88 1140*