The 5 year development plan in malaysia economics essay

The Government has reiterated in no uncertain terms that it needs to implement the various measures recently introduced as an integral package of economic restructuring and transformation. These measures include the Government Restructuring Plan launched in January and the New Economy Model launched in March. In this regard, one of the tenets of the 10th Malaysia Plan is to promote innovation and creativity through upgrading our human capital, adopting emerging technology and encouraging entrepreneurship. However, this is clearly not a simple task, since Malaysia is currently having a shortage of skilled workers; furthermore, I fear that our declining quality of education is a shot to our own feet in the face of the daunting challenges ahead.

In order to buffer our economy against the impact of fluxes in the world at large, the 10th Malaysia Plan has in particular highlighted the importance of promoting domestic demands as the main engine of our economic growth in the future. The Government will endeavour to revitalise the private sector to achieve the goal stated above, as outlined in one of the strategic restructuring measures of the New Economy Model. With this, the 10th Malaysia Plan will seek to create an enabling environment to encourage productivity, competitiveness and creativity.

Although domestic demand is very important and will be a relatively stable source of stimulus of our economic growth, the plain fact is, our domestic market is simply not big enough to sustain a robust growth. This reality check underscores the monumental challenge our government will face in its bid to achieve the 6% annual growth in our economy according to the 10th Malaysia Plan.

Doubt Over Ability To Achieve Goals Effectively

In fact, Malaysia has not been able to meet the annual economic growth targets set out in the past three Malaysia Plans. We can, of course, reason that our failure to meet the targeted growth rates during the 7th (1996-2000), 8th (2001 – 2005) and 9th (2006 – 2010) Malaysia Plans were due respectively to external factors such as the 1997/98 Asian financial crisis, the IT and Internet bubble of 2001, and the 2008/09 U. S. subprime mortgage crisis and the ensuing global financial crisis. However, perhaps we should reflect on whether our own failure to effectively implement the various goals and measures set out in the Malaysia Plans and promote private investments are the major contributing factors to our botched Malaysia Plans.

Under the 8th Malaysia Plan, the average annual private investment grew by only a mere 1. 2%, while under the current 9th Malaysia Plan which is ending soon, the same figure is expected to reach 2% only. During the 7th Malaysia Plan, which coincided with the Asian financial crisis, private investment shrunk by a yearly average of about 5% over the 5-year period. In contrast, under the 5th Malaysia Plan (1986-1990) and the 6th Malaysia Plan (1991-1995), private investments chalked impressive annual average growth rates of 13. 4% and 20. 2% respectively.

For this reason, the weightage of private investment in Malaysia's GDP plunged from the peak of 36. 3% in 1997 to merely 8. 2% in 2002, only to rebound in 2009 to 10. 1%.

Declining private investment may be the major contributing factor to the drawn-out decline in Malaysia's economic growth rate. During the 6th

Malaysia Plan, our average annual economic growth rate was an impressive 9. 5%; by the 7th Malaysia Plan, this figure plummeted to 5%, receding almost by half.

By the 8th Malaysia Plan, the average annual growth rate fell further to 4. 7%, while during the latest 9th Malaysia Plan, the estimated average annual growth rate reads a mere 4. 2%. If the Government had not taken a big-spending policy during the past few economic crises by implementing a more expansionary fiscal policy and serving out a series of economic stimulus packages to dampen the negative impact to our economy, the growth figures for the past three Malaysian Plans may be even lower.

Although the government had been increasing public spending over these periods, it could not reverse the southward spiral of our actual economic growth rate. This also goes to show that the Government's public expenditure alone cannot reverse the worrisome trend of slow economic growth, though it did retard the slump somewhat. Furthermore, due to loopholes in its execution, our government's public expenditure is seen as ineffectual in promoting economic growth.

Difficult To Promote Private Investments

Even though the authoritative Swiss International Institute for Management (IMD) announced that Malaysia's ranking jumped from No. 18 previously to No. 10 in the recently published 2010 ranking of international competitiveness, an unprecedented great leap forward notwithstanding, I feel that Malaysia's push to encourage private investments is still an uphill task, considering the intense competition between countries to attract foreign direct investments and the increasing amount local funds investing overseas. Therefore, the Government's plan to grow private investments at an annual rate of 12. 8% is too ambitious and too optimistic.

Having said that, I must quantify that the various efforts by the Government thus far had helped Malaysia regain a number of disadvantages to successfully rope in some private investments. If you could recall, soon after taking office, Prime Minister Najib Razak announced on April 22, 2009 the opening up of 27 second-tier fields of the service industry to stimulate private investments. In addition, Najib also abolished the Foreign Investment Commission Ordinance, and announced on June 30, 2009 a further relaxation of the policy that stipulated a 30% bumiputran shares ownership quota for all IPOs of newly-listed companies.

In addition, the relationship between Malaysia and Singapore has also been improving recently, which will help to kickstart some investment activities in the Iskandar Development Zone in southern Johor. Meanwhile, the Government's public-private partnerships and private-led financing plan are also expected to attract about RM62. 7 billion in investments.