

# **National Economic Action Council**

## **Regional Economic Forum 2005**

---

Malaysia's Competitive Position:  
Issues, Challenges & Moving Ahead

Steven C.M. Wong  
Institute of Strategic and International Studies  
(ISIS) Malaysia  
[[steve@isis.org.my](mailto:steve@isis.org.my)]

# Malaysia's Competitive Position - 1

	Global	Growth	Business
USA (Memo)	1	2	1
Singapore	3	6	5
Japan	10	12	8
Korea	20	17	24
<b>Malaysia</b>	<b>26</b>	<b>24</b>	<b>23</b>
Thailand	34	36	37
China	45	49	57
India	65	50	31
Indonesia	71	74	59
Vietnam	74	81	80
Philippines	91	77	69
Cambodia	111	112	105
TOTAL	117	117	117

## Malaysia's Competitive Position - 2

Global competitiveness	Basic	Efficiency	Innovation
USA (1)	18	1	1
Singapore (3)	3	2	14
Japan (10)	25	17	2
Korea (20)	20	20	17
<b>Malaysia (26)</b>	<b>26</b>	<b>25</b>	<b>25</b>
Thailand (34)	34	41	38
China (45)	45	62	48
India (65)	65	46	26
Vietnam (74)	68	77	79
Indonesia (71)	71	74	55
Philippines (91)	81	63	56
Cambodia (111)	104	114	113
TOTAL	117	117	117

## Malaysia's Competitive Position - 3

Growth competitiveness	Technology	Institutions	Macroeconomy
USA (2)	2	2	2
Singapore (6)	10	4	1
Japan (12)	8	14	42
Korea (17)	7	42	25
<b>Malaysia (24)</b>	<b>25</b>	<b>29</b>	<b>19</b>
Thailand (36)	43	41	26
China (49)	64	56	33
India (50)	55	52	50
Vietnam (74)	92	97	60
Indonesia (81)	66	89	64
Philippines (77)	54	104	71
Cambodia (112)	105	114	104
TOTAL	117	117	117

# Malaysia's Competitive Position - 4

Business competitiveness	Commercial Ops.	Business Environ.
USA (1)	1	2
Singapore (5)	14	5
Japan (8)	3	10
Korea (24)	17	24
Malaysia (23)	24	23
Thailand (37)	35	37
China (57)	53	58
India (31)	30	31
Vietnam (80)	81	77
Indonesia (59)	50	59
Philippines (69)	44	78
Cambodia (105)	103	107
TOTAL	117	117

## Issues - 1

### Growth competitiveness (24) - Weaknesses

- Government deficit (96)
- Gross tertiary enrollment (63)
- Telephone lines (61)
- Internet hosts (51)
- Government debt (49)
- Irregular payments in public utilities (47)
- Irregular payments in exports and imports (45)

## Issues - 2

### Business competitiveness (23) - Weaknesses

- Extent of bureaucratic red tape (101)
- Freedom of the press (83)
- Centralization of economic policymaking (80)
- Nature of competitive advantage (54)
- Soundness of banks (48)
- Telephone/fax infrastructure quality (45)
- Hiring and firing practices (43)

## Issues - 3

### Most Problematic Factors Doing Business (23)

- Access to financing
- Foreign currency regulations
- Inefficient government bureaucracy
- Tax regulations
- Poor work ethic in national labor force
- Corruption
- Restrictive labor regulations
- Inadequately educated workforce
- Tax rates



## Challenges - 1

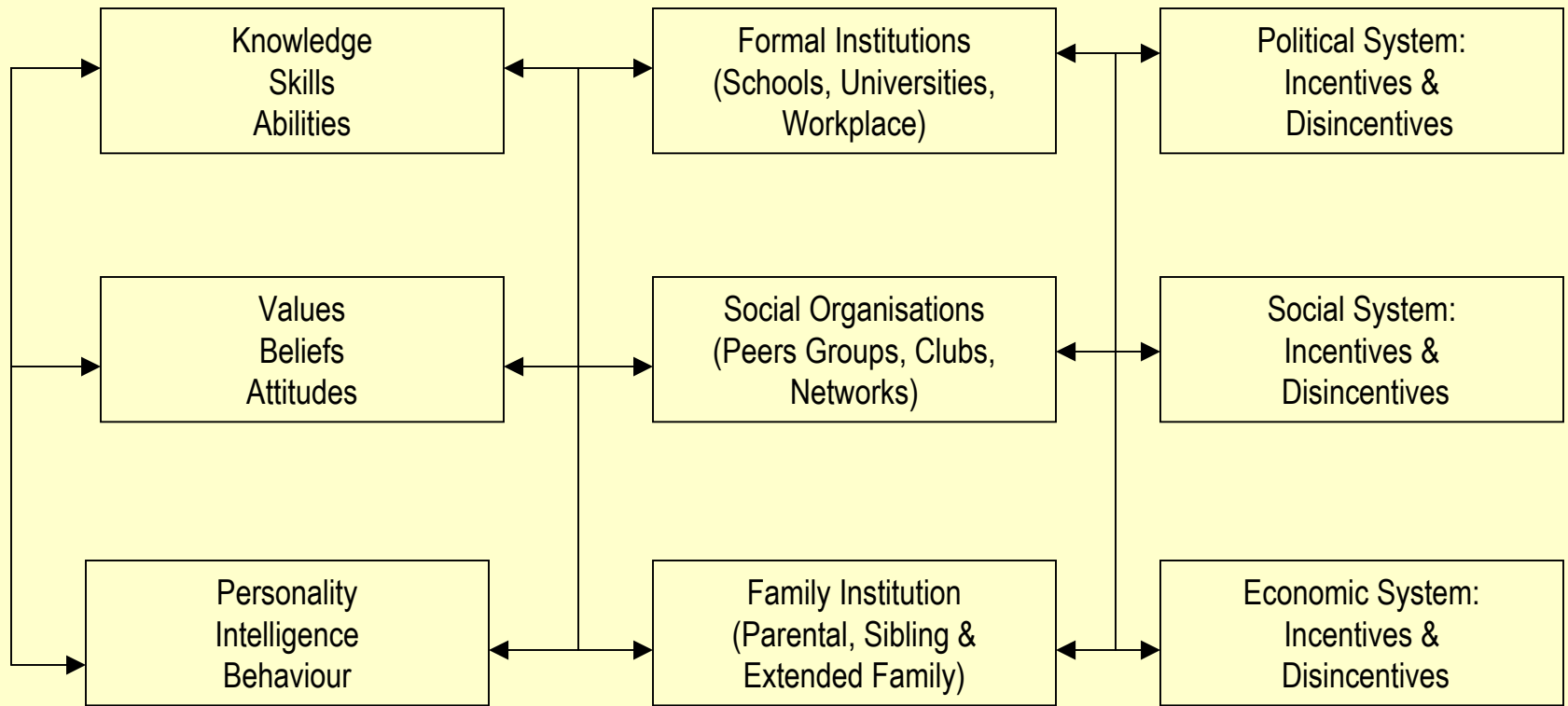
- Encourage key industries that create value and can sustain above-normal returns
- Achieve tangible results in human resource development, especially in sciences, engineering and technology
- Foster sustained investor confidence as evidenced by high investment growth and price-earning multiples
- Score successes in research & development and therefore driving ideas, product, processes and technologies
- Redeploy capital and labour from low to high productivity sectors at a rapid rate – facilitate mergers & acquisitions

## Challenges - 2

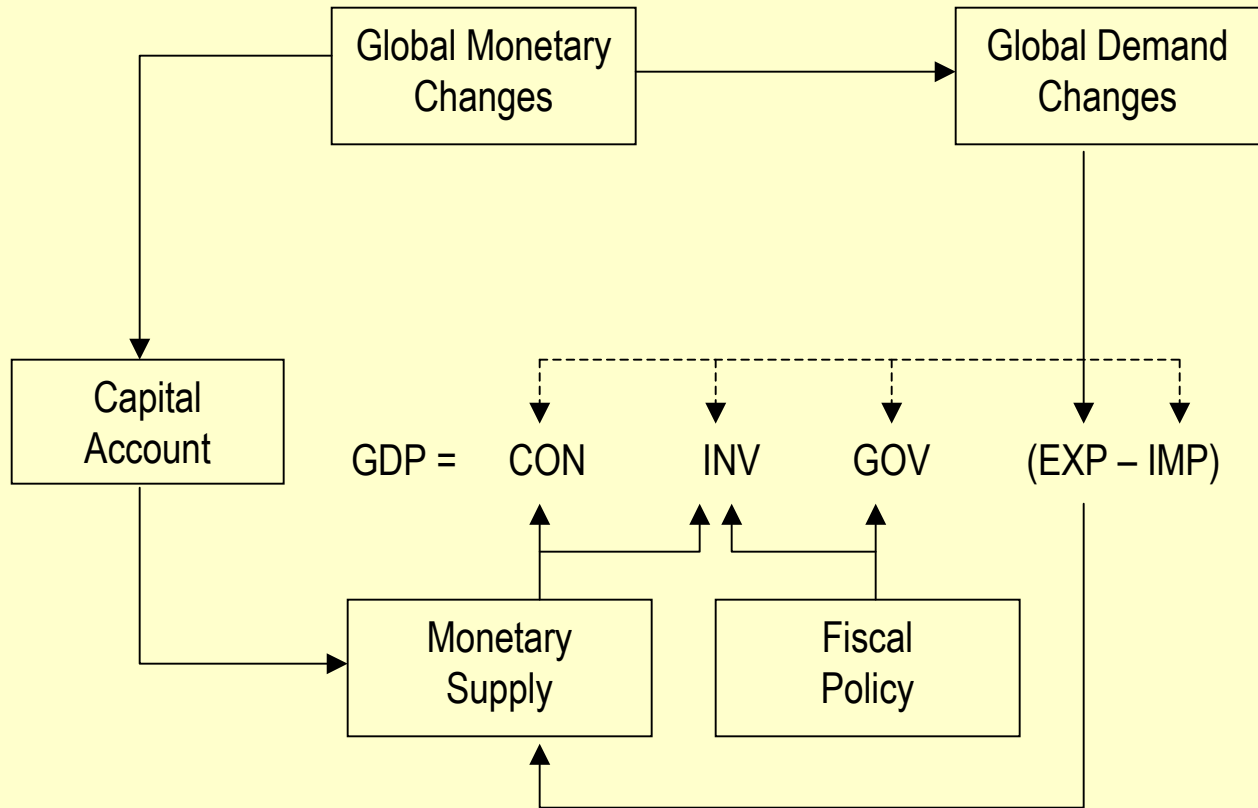
- Reduce dependence on government spending and subsidies to generate economic activity and employment
- Optimise the regulatory burden – ‘less is more’ not ‘less is nothing’
- Develop organisations that are lean and flexible enough to respond to fast-breaking changes and developments
- Cultivate management decision-making and systems that are effective and operate cross-culturally
- Abandon gradually the ‘3 Lows’ philosophy – Low interest rates, Low exchange rates & Low wage rates – these equate to Low value-added and productivity

## Challenges - 3

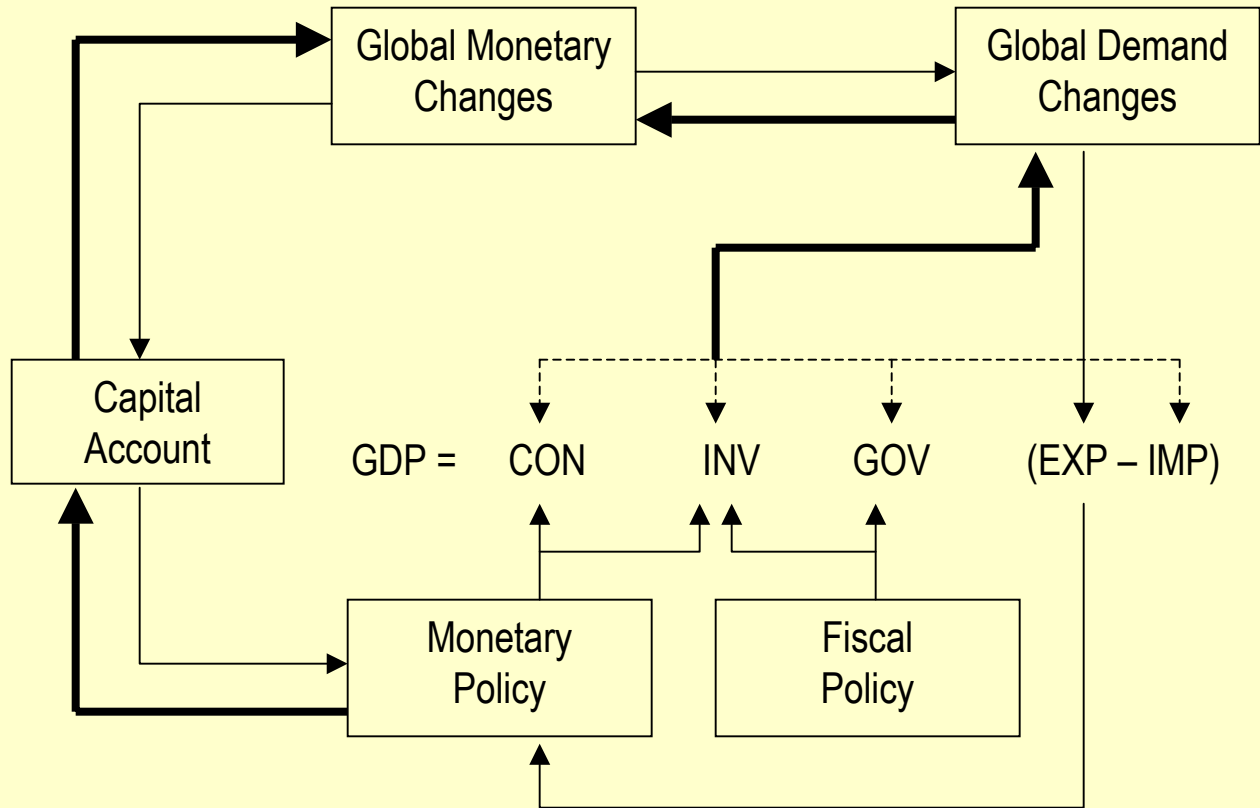
- In short: Get political, social and economic incentives & disincentives right, strengthen institutions & emphasise human development



# The Way Ahead - 1



# The Way Ahead - 2



## The Way Ahead - 3

- Economic expansion but with much greater downside: Economic safety is an issue
- Financial jolts and disruptions (hopefully nothing more serious): Risk management is paramount
- The race for resources, technology, skills and knowledge will intensify: Strategic control of resources is essential
- Trade will be increasingly interrupted/truncated as a result of bilateral government activism: Regionalism offers relief
- Industries are becoming more concentrated even as competition goes into hyper-drive: Economic marginalisation is a real danger

## The Way Ahead - 4

- Business process reengineering opens vast opportunities but only to the quick, efficient and responsive: Bureaucracy will be more lethal
- Leadership and management systems, styles and quality are going to be stress tested by change and diversity: Learn & adapt or leave
- Corporations are the real economic assets of a nation: Neglect or overprotect them at your peril
- Smart, safe and value-adding M&As are essential for Malaysia's growth: It is investment quality that will determine economic futures
- Governments need to be more aggressive in pursuit of their corporations interests abroad: Civil service philosophy needs to change

## The Way Ahead - 5

- Shifts to higher value-adding economies is associated with globally competitive compensation: Prepare to pay and reward
- Knowledge content of products and services must increase if there is not to be industrial 'hollowing-out': Content, content, content
- Acquiring knowledge and technology is one element of the equation: Moulding core values, beliefs and attitudes is vitally important
- Human resources: Develop it or lose it! (to other countries)