



MID-TERM REVIEW OF THE NINTH MALAYSIA PLAN, 2006-2010

MOVING THE ECONOMY UP THE VALUE CHAIN

1

THRUST



MOVING THE ECONOMY UP THE VALUE CHAIN

I. INTRODUCTION

During the first half of the Ninth Plan period, steady progress was made in moving the economy up the value chain. In the services sector, advancements were made in the new growth areas such as information and communications technology (ICT), telecommunications, tourism, Islamic finance and shared services and outsourcing (SSO). Growth in the manufacturing sector was mainly driven by domestic-oriented industries. The continuous transformation of the sector to capital- and skill-intensive and high-technology activities was supported by research and development (R&D), design and development and good manufacturing practices. Growth in the agriculture sector was contributed mainly by agricultural industrial commodities, particularly palm oil, rubber and sawlogs, and strong growth in the fisheries and livestock subsectors. The adoption of new technologies and good agriculture practices further modernised and increased dynamism and competitiveness of the sector.

In moving forward, the enabling environment will be further improved including through deregulation and liberalisation to increase private sector participation and enhance efficiency across all sectors. This will support and intensify the development of knowledge-intensive activities and adoption of advanced technologies. In addition, the supply of human capital that meets the requirements of industries and new growth activities will be increased, inter-agency coordination improved and utilisation of resources optimised.

II. KEY RESULTS, 2006-2007

Migration to higher value added and knowledge-intensive activities along the value chain was achieved in several industries in the key economic sectors. New growth areas identified under the Ninth Plan were also at various stages of development. The progress achieved in improving productivity, generating new sources of growth and expanding into new markets is as shown in Box 1-1.

Box 1-1

Key Results, 2006-2007

| Commitment | Output |
|--|--|
| <i>Services</i> | |
| Tourism | |
| <ul style="list-style-type: none"> ▪ Intensifying marketing and promotion activities | <ul style="list-style-type: none"> ▪ Tourist arrivals reached 21 million with receipts of RM46.1 billion in 2007 compared with 16.4 million tourist arrivals with receipts of RM31.9 billion in 2005 ▪ Tourist per capita expenditure increased from RM1,945 in 2005 to RM2,198 in 2007 ▪ Average occupancy rate of hotels increased to 70.0% in 2007 from 63.5% in 2005 |
| <ul style="list-style-type: none"> ▪ Developing innovative tourism products and services | <ul style="list-style-type: none"> ▪ 637,975 foreign patients sought treatment contributing RM457.5 million to foreign exchange earnings ▪ Enrolment of foreign students at tertiary level totalled 92,318 with foreign exchange earnings of RM1.4 billion ▪ 2.8 million participated in Meetings, Incentives, Conventions and Exhibitions (MICE) with receipts of RM5.9 billion ▪ 1,503 foreigners participated in Malaysia My Second Home Programme in 2007 resulting in RM43.8 million in acquisition of residential properties |
| Finance | |
| <ul style="list-style-type: none"> ▪ Building an internationally competitive financial sector | <ul style="list-style-type: none"> ▪ Market presence of 6 domestic banking groups operating overseas increased from 12 countries in 2005 to 19 countries in 2007 ▪ Total assets of domestic banking groups overseas increased from RM88.8 billion in 2005 to RM111.6 billion in 2007 ▪ 16 foreign banks, including 3 Islamic banks, operated in Malaysia in 2007 |
| <ul style="list-style-type: none"> ▪ Promoting competitive domestic financial institutions | <ul style="list-style-type: none"> ▪ Pre-tax profit of the banking institutions increased from RM12.4 billion in 2005 to RM17.7 billion in 2007 ▪ Assets of the banking institutions increased from RM958.8 billion in 2005 to RM1,221.5 billion in 2007 ▪ Productivity measured by pre-tax profit per employee increased from RM130,297 in 2005 to RM168,094 in 2007 |
| <ul style="list-style-type: none"> ▪ Developing Malaysia as an international centre for Islamic banking and finance as well as initiating niche capital market specialisation at regional and global levels | <ul style="list-style-type: none"> ▪ Malaysia secured 27% or US\$1.7 billion of global takaful premium in 2006 ▪ 68.9% of the global outstanding sukuk originated in Malaysia at end 2007 ▪ Market capitalisation of Islamic Real Estate Investment Trusts (REITs) increased by 192.7% to RM995.3 million at end 2007 |

| Commitment | Output |
|---|---|
| Distributive trade | |
| <ul style="list-style-type: none"> ▪ Strengthening the modes of distribution | <ul style="list-style-type: none"> ▪ Total sales turnover reached RM293.9 billion in 2007 from RM198.1 billion in 2005 ▪ Franchisors increased from 206 in 2005 to 267 in 2007 ▪ Turnover of direct sales increased to RM8.8 billion in 2007 from RM6.6 billion in 2005 |
| <ul style="list-style-type: none"> ▪ Accelerating the growth of e-commerce | <ul style="list-style-type: none"> ▪ Estimated value of e-commerce transactions increased from US\$8.8 billion in 2005 to US\$20.9 billion in 2007 |
| Professional services | |
| <ul style="list-style-type: none"> ▪ Promoting cross border investment | <ul style="list-style-type: none"> ▪ As at end 2007: <ul style="list-style-type: none"> • 111 firms exported services to 33 countries • Malaysian contractors secured 76 projects valued at RM45.1 billion • 333 projects in 23 countries were completed valued at RM23 billion |
| Manufacturing | |
| <ul style="list-style-type: none"> ▪ Promoting new sources of industrial growth | <ul style="list-style-type: none"> ▪ 51 companies granted BioNexus status with approved investment of RM1 billion ▪ 65 R&D findings commercialised and 13,732 patents approved ▪ RM2.3 billion spent on R&D in manufacturing activities in 2006 ▪ 10 projects with high-end R&D activities involving RM588.4 million investments were implemented in areas such as integrated wafer fabrication, advanced integrated circuit packaging, and precision test and measurement equipment ▪ 4 new petrochemical projects with investment totalling RM4 billion were implemented |
| <ul style="list-style-type: none"> ▪ Providing more focused incentives for high value added industries | <ul style="list-style-type: none"> ▪ 66 projects with FDI worth RM33.3 billion were approved, mainly in Electrical and Electronics (E&E), petroleum products, ICT and Machinery and Equipment (M&E) ▪ Capital investment per employee in approved projects increased from RM278,126 in 2005 to RM613,600 in 2007 |
| <ul style="list-style-type: none"> ▪ Developing innovation-driven Small and Medium Enterprises (SMEs) | <ul style="list-style-type: none"> ▪ 532 SMEs registered under the Industrial Linkages Programme linked to multinational companies (MNCs) and large companies in 2006 ▪ 528 SMEs rated under the SMEs Competitive Rating for Enhancement¹ (SCORE) assessment programme |

¹ SCORE is an assessment tool to measure the level of growth of enterprises in terms of innovation, technical capabilities, production capacities, financial and business performance, quality systems and management capabilities as well as identify areas of strengths and weaknesses of SMEs.

| Commitment | Output |
|--|--|
| Agriculture | |
| <ul style="list-style-type: none"> ▪ Venturing into new sources of growth | <ul style="list-style-type: none"> ▪ Increase in production: <ul style="list-style-type: none"> • Kenaf - from 1,163 metric tonnes (MT) in 2005 to 4,185 MT in 2007 • Deep sea fishing - from 221,228 MT in 2005 to 264,000 MT in 2007 • Ornamental fish - from 458 million tails in 2005 to 679 million tails in 2007 • Livestock - from 1.7 million MT in 2005 to 1.9 million MT in 2007 • Seaweed - from 46,000 MT in 2005 to 68,000 MT in 2007 • Herbs and spices - from 7,098 MT in 2005 to 13,251 MT in 2007 |
| <ul style="list-style-type: none"> ▪ Expanding agro-based processing activities | <ul style="list-style-type: none"> ▪ Investment in food manufacturing totalled RM2 billion ▪ Investment in manufacturing of rubber products totalled RM918 million ▪ Investment in manufacturing of furniture and fixtures totalled RM596 million |
| <ul style="list-style-type: none"> ▪ Strengthening marketing and global networking | <ul style="list-style-type: none"> ▪ Total export value of agriculture commodities increased from RM37.5 billion in 2005 to RM52.4 billion in 2007 ▪ Total export value of agro-based products increased from RM35.6 billion in 2005 to RM45.3 billion in 2007 |
| ICT | |
| <ul style="list-style-type: none"> ▪ Enhancing Malaysia's position as a global ICT and multimedia hub | <ul style="list-style-type: none"> ▪ 6 new Multimedia Super Corridor (MSC) cybercentres developed ▪ MSC status companies increased from 1,421 companies in 2005 to 1,994 companies in 2007 ▪ Number of jobs in MSC increased from 33,851 in 2005 to 50,821 jobs in 2006 |
| <ul style="list-style-type: none"> ▪ Expanding communications network | <ul style="list-style-type: none"> ▪ Broadband penetration increased from 11.0% per 100 household in 2005 to 15.5% per 100 household in 2007 ▪ Internet penetration increased from 7.0% per 100 household in 2005 to 19.3% per 100 household in 2007 ▪ Subscription of cellular telephone increased from 74.1 per 100 population in 2005 to 85.1 per 100 population in 2007 |

| Commitment | Output |
|--|--|
| Energy | |
| <ul style="list-style-type: none"> ▪ Expanding electricity generation capacity | <ul style="list-style-type: none"> ▪ Coal-based plant in Johor (2,100 megawatts (MW)) was commissioned in 2007 and construction of the Bakun Hydroelectric project in Sarawak (2,400 MW) was continued |
| <ul style="list-style-type: none"> ▪ Enhancing transmission and distribution system | <ul style="list-style-type: none"> ▪ East-West Interconnection Grid in Sabah was completed ▪ Upgrading of transmission system commenced in Kota Kinabalu, Sandakan and Tawau, Sabah ▪ Rehabilitation of distribution networks in Perak, construction of regional control centres and replacement of substation assets commenced ▪ Reinforcement of distribution system commenced in major towns in Sabah |
| <ul style="list-style-type: none"> ▪ Enhancing productivity and efficiency of electricity supply system | <ul style="list-style-type: none"> ▪ System Average Interruption Duration Index (minutes/customer/year) improved: <ul style="list-style-type: none"> • Peninsular Malaysia: 147 in 2005 to 88 in 2007 • Sabah: 4,109 in 2005 to 2,717 in 2007 • Sarawak: 310 in 2005 to 286 in 2007 |
| Infrastructure | |
| <ul style="list-style-type: none"> ▪ Increasing capacity and improving efficiency of transport infrastructure | <ul style="list-style-type: none"> ▪ A total of 32,964 kilometres (km) of roads upgraded/built including 4,824 km in Sabah and 7,258 km in Sarawak ▪ Butterworth Outer Ring Road (12.1 km) and Kuala Lumpur–Putrajaya Highway (26 km) completed ▪ Rawang-Ipoh electrified double tracking rail project (179 km) completed ▪ Total railway freight traffic increased from 4.0 million tonnes in 2005 to 4.7 million tonnes in 2007 ▪ Total container handled by rail increased from 310,011 twenty-foot equivalent units (TEU) in 2005 to 333,688 TEU in 2007 ▪ Alor Setar airport upgraded and a low-cost carrier terminal at KLIA built ▪ Total container handled at Malaysian ports increased from 12.0 million TEU in 2005 to 15.3 million TEU in 2007 |

III. MOVING FORWARD, 2008-2010

The wave of globalisation and rapid technological progress, leading to a highly competitive global environment, requires Malaysia to reshape its economic structure and strengthen its productive capacity. Efficient use of resources, particularly in new knowledge-intensive high-technology activities that yields higher value added, is critical in shifting the economy further up the value chain.

Three major pillars underpinning the thrust are enhancing productivity and competitiveness, generating new sources of growth and expanding markets for Malaysian products and services. Efficient allocation and use of resources, focusing on higher value added activities where the nation has comparative advantage as well as adoption of good practices and advanced technology will significantly enhanced productivity and competitiveness. Generation of new sources of growth will enhance and sustain the growth trajectory towards achieving high-income status. This will lead to greater economic dynamism

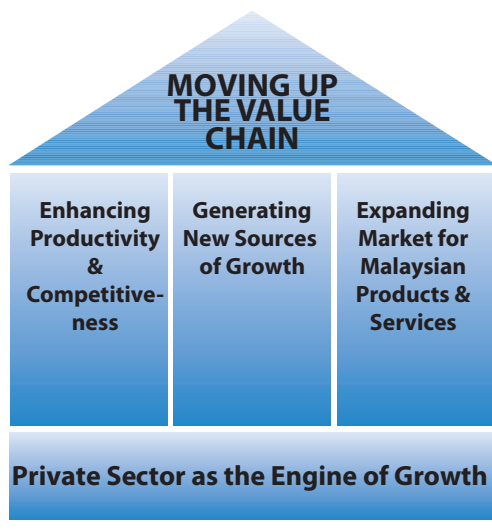
and resilience for Malaysia in facing global challenges. Greater liberalisation of the world economy will lead to expansion of markets for Malaysian products and services. Measures will be introduced to position Malaysia strategically in the global supply chain.

Enhancing Productivity and Competitiveness

Human Capital

The supply of competent workforce with the requisite skills in key sectors of the economy, particularly in Islamic banking and finance, high-end retailing, creative multimedia content development, advanced materials, biotechnology, mechatronics and agriculture will be increased in line with industry demand. The hiring of expatriates in these specialised areas will be facilitated. In addition, the intake into skills training institutes and institutions of higher learning as well as the offering of specialised courses will be expanded. Public-private sector collaboration for example the knowledge workers skills development programme will also be promoted in specific areas. University-industry collaboration and linkages will be enhanced to improve curriculum design to produce graduates with the relevant knowledge and skills required by industry.

Figure 1-1
Moving the Economy Up the Value Chain



In the services sector, industry players and associations will be encouraged to enhance professionalism by providing training for their employees and members in areas such as customer service relations, hospitality and business ethics. For the Islamic financial subsector, the International Centre for Education in Islamic Finance will focus on increasing the supply of qualified workforce. To revitalise interest in agriculture, greater allocation of scholarships and education loans will be provided and the number of courses and training programmes in higher learning

institutions will be increased. Awareness of career opportunities in services and agriculture sectors will be enhanced through nationwide campaigns.

Skills upgrading programmes for SMEs provided by the Small and Medium Industries Development Corporation (SMIDEC) in collaboration with other agencies will be further intensified. Collaboration between multinational and large companies with SMEs will be leveraged to enable these SMEs to become own-design and own-brand manufacturers. Multimedia Development Corporation (MDeC) through its technopreneur development programmes will strengthen business skills and enterprise development of ICT-related SMEs and increase the number of competent ICT professionals and business managers.

Research and Development

Recognising the critical role of R&D, the Government will continue to support fundamental and applied research to enhance productivity and competitiveness.

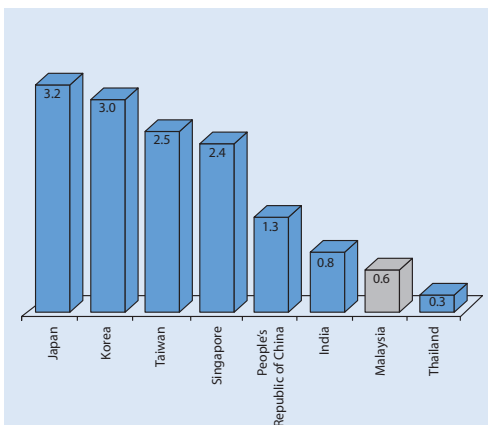
Potential research areas and next generation technology products for commercial exploitation will be identified and the funds for R&D and commercialisation of its findings will be realigned to ensure the optimal utilisation of resources. The Government will also promote technology acquisition to speed up market-driven innovation.

Efforts will be undertaken to facilitate the commercialisation of research findings including through public-private sector collaboration in market-driven research. Among the initiatives will be the sharing of facilities and infrastructure, particularly in developing new high value-added products; a strong laboratory-to-market intermediation programme; and strengthening of technology licensing offices in higher learning institutions. In addition, the existing database on research findings with potential for commercialisation will be expanded and made accessible to investors. More technology-foresight studies in selected areas will be undertaken to provide SMEs with the latest information on the best and most appropriate technologies available in various subsectors.

Market-driven innovation...

Chart 1-1

Gross R&D Expenditure, 2007
(% of GDP)



Source: World Competitiveness Yearbook 2007 and National R&D Survey

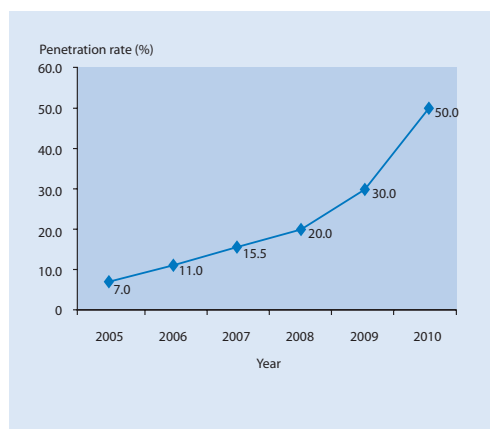
ICT Infrastructure

High speed broadband infrastructure, particularly in urban and industrial centres is a key enabler to provide a conducive environment for making Malaysia a preferred choice for private investment and knowledge-intensive activities. The roll-out of broadband infrastructure will be accelerated through a public-private partnership initiative to achieve 50% household penetration by 2010. Demand for broadband will be stimulated by expanding e-Government applications, developing local content and applications with private sector participation and intensifying awareness campaigns. Gradual migration will be made to Internet Protocol

Accelerating broadband roll-out...

version 6 (IPv6) from the current Internet protocol addresses based on the IPv4, which will be exhausted in the next 5-10 years. This is also to support the future requirement of increasing Internet-enabled appliances, applications and electronic devices.

Chart 1-2
Broadband Penetration Rate
(per 100 household)



Source: Malaysian ICT 2007 and Malaysian Communications and Multimedia Commission

Infrastructure Network and Transport System

To accelerate and support growth as well as improve connectivity, efforts will be taken to increase infrastructure network and coverage. In this regard, a transport master plan will be formulated to guide the development of a more comprehensive infrastructure network and integrated multimodal transport system. Additional integrated transport terminals will be developed, particularly in major cities to increase integration between various modes of transport and improve network efficiency. Efforts will also be focused on improving capacity and enhancing efficiency of the infrastructure facilities, including the upgrading of ports and

airports, the construction and upgrading of roads and implementation of the Ipoh-Padang Besar and Seremban-Gemas electrified double tracking rail project, to cater for the increasing traffic volume and international trade. Strategic alliances between domestic transport service providers with global partners will be promoted to leverage on their expertise and international networks.

Figure 1-2
Railway Network



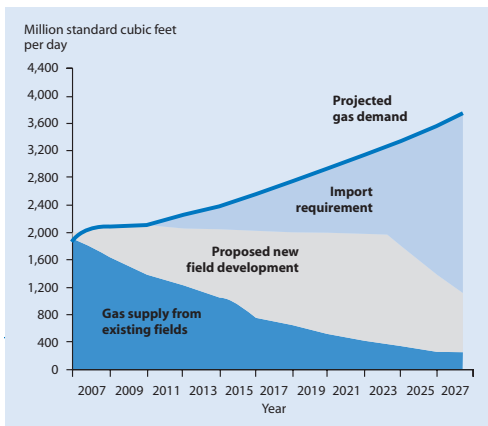
Sustainable Energy Supply

Sustainable and quality supply of energy is critical to ensure Malaysia’s competitiveness. This has to be addressed within the context of rising energy prices and the need to conserve depleting energy resources. Sustainable development of the energy sector will be emphasised to ensure long-term energy security. This includes expanding generation capacity as well as strengthening transmission system and distribution networks in Sabah and Sarawak. Energy efficiency (EE)

initiatives will be intensified to encourage productive and prudent use of energy resources. Energy pricing and subsidy schemes will be continuously reviewed in the light of depleting energy resources and rising production cost as well as the need to encourage optimal allocation of resources. Efforts will be undertaken to intensify R&D on clean and cost-effective indigenous renewable energy-based (RE) technologies to expedite the development of alternative sources of energy towards enhancing energy security. Studies will also be undertaken to formulate new energy policies and strategies including fuel security, RE and EE.

Chart 1-3

Gas Supply and Demand in Peninsular Malaysia



Institutional and Regulatory Framework

The institutional and regulatory framework will be improved to support development of promoted areas. Comprehensive market-driven policies and regulations, including ensuring safety and quality of products and services, will be promoted to facilitate entrepreneurs and service providers market their products effectively. The Federal Agriculture Marketing Authority (FAMA) Act, 1965 will be amended to

enable registration of operators engaged in post-harvest handling and marketing of agricultural produce, particularly fruits and vegetables. The Task Force on Services Statistics (TFSS) will undertake a study to develop profiles of the industries in the services sector and improve collection of statistics. Dissemination of up-to-date information to facilitate trade will be enhanced through the Ministry of International Trade and Industry and Agencies Trade and Industry Information Exchange (MATRIIX) system. A Fair Trade Practices Act will be introduced to promote conducive market environment and enhance Malaysia’s competitiveness. Progressive liberalisation in areas critical to the development of healthy and fair operations will be continued. To improve IP protection, more IP courts will be established and the capabilities and capacities of IP practitioners will be enhanced.

Private Sector Participation

Greater private sector participation is crucial to push the economy up the value chain. Policies and regulations will be further liberalised to facilitate and attract more private investment in key economic sectors. To enhance domestic market penetration for *takaful* and *re-takaful*, the Malaysia International Islamic Financial Centre (MIFC) will facilitate *takaful* operators to embark on promotional programmes that will increase the size of *takaful* uptake, particularly for mega projects. In addition, private institutions of higher learning and health providers will be encouraged to improve their facilities and services to ensure the success of education and health tourism.

To improve productivity and competitiveness in manufacturing, SMEs will be encouraged to strengthen collaboration with MNCs to become suppliers of parts and components. Knowledge-intensive SMEs targeting at

the global market will be nurtured. The various incentive schemes, including grants, will be streamlined and their application processes simplified to attract new investments in high technology and knowledge-based projects. Private sector investment in promoted areas will be encouraged by providing a conducive environment including by improving public safety and social infrastructure and customised incentives. Better support services and speedier patent approvals will also be provided.

Private sector investment in large-scale agriculture ventures, particularly food crops, will be further promoted to support the national food security measures, among others, through the provision of incentives and adequate agricultural infrastructure in the designated food producing areas. Risk management and mitigation measures will also be promoted for selected food crops. In addition, efforts will be undertaken to establish a central information system on suitable land for agriculture with the cooperation of state governments and land owners.

Identifying and Accelerating New Sources of Growth

New sources of growth within the services, manufacturing and agriculture sectors will be identified and resources channelled from laboratory-to-market. In addition, the supporting infrastructure, regulatory regime and appropriate incentives will be provided to accelerate growth of these new activities.

In the services sector, three key areas, namely tourism, Islamic finance and professional services were identified as new sources of growth. Customised tourism packages based on specific products and locations, including for education and health, will be developed and promoted through public-private

collaboration. These customised packages will be targeted at the growing middle class in the emerging economies. Islamic financial products and services, particularly *takaful* and *re-takaful*, will be further promoted while the role of the MIFC will be enhanced to promote Malaysia as a world recognised Islamic financial centre. Construction and professional services were identified as potential export earners with the liberalisation of the services sector and the signing of mutual recognition arrangements. Towards this end, services providers will be encouraged to enhance their professional capabilities and expertise to capitalise on these opportunities.

In the manufacturing sector, efforts will be intensified to encourage the development of domestic and regional clusters of industries identified under the Third Industrial Master Plan as new sources of growth such as E&E, medical devices and petrochemicals. Support services utilising advanced technologies such as nanotechnology, photonics, laser and fuel cells will be established to meet the needs of the clusters. Customised incentives will continue to be offered to MNCs to establish and expand their operations in specialised industrial parks in these identified areas.

To harness the potential of biotechnology as a new source of growth and wealth creation, Malaysian biotechnology companies will be encouraged to identify and build upon niche products and services. Biotechnology applications in agriculture, healthcare and industrial use will be expanded through acquisition of platform technology, intensifying R&D and adoption of good laboratory practices to enhance the value added of products.

Development of new sources of growth in agriculture will be undertaken selectively to ensure more focused efforts and efficient allocation of resources. The *Halal*

Industry Development Master Plan will guide the development of Malaysia as a global *halal* hub and a leading country in the development of *halal* products. Customised incentives will be provided to attract private investment in the production of *halal* products including speciality processed food, cosmetics, pharmaceutical and healthcare products. The cultivation of kenaf will be encouraged as an important source of supply for high-end fibre, raw material for biocomposites products and animal feed. Greater support will be provided to promote downstream activities of key agriculture commodities that yield higher value-added such as palm oil-based oleochemical derivatives and advanced rubber materials. Other new sources of growth in agriculture such as deep sea fishing, seaweed, ornamental fish and herbs and spices industries will be further developed and promoted.

To sustain Malaysia's position as a multimedia and ICT hub, three technology areas were identified, namely the wireless sensor network for applications, particularly in agricultural farming and disaster management; predictive analysis technology for software applications, particularly in Islamic financing, retail and logistics industries; and 3-Dimensional Internet technology for development of multimedia digital content, including in education, gaming and entertainment. The Government will continue to promote Malaysia as a preferred destination for SSO activities and attract leading global ICT players and MNCs investment in the new growth areas.

Strategies and initiatives will be undertaken to stimulate private venture capital financing of new growth areas. In addition, development financial institutions will be encouraged to offer more attractive terms and conditions on financing offered, particularly for new agriculture ventures and biotechnology. The financial advisory programme under Bank Negara Malaysia

will place greater emphasis on agriculture to facilitate the financing of agriculture ventures. Financial institutions and venture capitalists will be encouraged to enter into strategic partnerships with parties with profound technical and business knowledge to ensure credible evaluation of projects in the new growth areas.

Expanding Markets for Malaysian Products and Services

Malaysian products and services will be intensively promoted to new markets in Africa, west and south Asia as well as the European Union and ASEAN. Trade missions will be increased and new marketing networks strengthened in these regions. In line with the greater integration of the ASEAN economies, focus will be on unlocking the potentials of cross-border synergies. Marketing information systems under different agencies such as Malaysian External Trade Development Corporation (MATRADE), FAMA and MDeC will be upgraded and integrated to provide easy access to information for traders. Image building programmes on branding Malaysia and Malaysian brand products will be further intensified.

Financial institutions will be encouraged to support Malaysian companies to venture abroad. Assistance will also be provided to members of trade and industry associations to undertake export promotion programmes as well as provide support for logistics and warehousing. Incentives based on outcomes will be provided to the private sector to undertake export promotion activities.

Access of Malaysian products and services into the global market will be facilitated through mutual recognition arrangements, free trade agreements and multilateral arrangements. Strategic alliances and joint-ventures between local companies and established MNCs will be promoted

Greater accessibility into new markets...

to widen the marketing network for agro-based, manufactured and ICT products and services. In addition, Malaysian standards and technical regulations will be harmonised with internationally recognised standards to ensure greater access into the global market. Malaysia's *halal* certification will be further promoted as a globally recognised *halal* standard to ensure greater accessibility of Malaysian *halal* products into the international market. In addition, cooperation with the International Halal Integrity

Alliance will be initiated to promote *halal* certification based on Malaysian Standards including MS 1500:2004². Pro-market incentives will be expanded to encourage SMEs to undertake quality improvements and adopt advanced technology applications.

IV. OUTCOMES, 2010

The key outcomes for the various sectors are as shown in Box 1-2.

Box 1-2
Expected Outcomes, 2010

| Commitment | Outcome |
|--|--|
| <i>Enhancing Productivity and Competitiveness</i> | |
| <ul style="list-style-type: none"> ▪ Increasing value added of the services sector by 7.9% to RM948 billion ▪ Increasing share of services sector to GDP to 55.7% | <ul style="list-style-type: none"> ▪ Increased value added and share to GDP of the services sector |
| <ul style="list-style-type: none"> ▪ Targeting 24.6 million tourist arrivals with receipts of RM59.4 billion ▪ Increasing tourist per capita expenditure to RM2,417 | <ul style="list-style-type: none"> ▪ Increased contribution of tourism to foreign exchange earnings |
| <ul style="list-style-type: none"> ▪ Increasing value added of the manufacturing sector by 3.5% to RM168.9 billion <ul style="list-style-type: none"> • Targeted value added of major subsectors <ul style="list-style-type: none"> - E&E RM32.9 billion - M&E RM19.2 billion - Petrochemical RM20.5 billion - Transport equipment RM16.2 billion • Average annual investment level of RM27.5 billion. Target by major subsectors <ul style="list-style-type: none"> - E&E RM14.0 billion - M&E RM1.7 billion - Petrochemical RM1.7 billion - Transport equipment RM2.1 billion - Medical devices RM0.8 billion | <ul style="list-style-type: none"> ▪ Increased investment and value added in the manufacturing sector |

² 'Halal Food: Production, Preparation, Handling and Storage - General Guidelines' (MS 1500:2004).

| Commitment | | Outcome | | | | | | | | | | | | | | | |
|--|--------------------------|---|------------|------------------|-----------------|--------------------------|------------------------|------------------|-------------------------|--------------------|--------------|--------------------|--------------------|---|-------------------------|-----|---|
| <ul style="list-style-type: none"> Increasing share of private sector expenditure in R&D to 1.1% of GDP | | <ul style="list-style-type: none"> Increased private sector expenditure in R&D | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Increasing the number of SMEs with 4 star ratings as well as creating SMEs with 5 star ratings under the SCORE programme | | <ul style="list-style-type: none"> Increased participation of SMEs in the global market | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Increasing production and local processing of industrial commodities <table border="1"> <thead> <tr> <th></th> <th>Production</th> <th>Local processing</th> </tr> </thead> <tbody> <tr> <td>Palm Oil</td> <td>16.5% to 18.4 million MT</td> <td>0.1% to 1.5 million MT</td> </tr> <tr> <td>Rubber</td> <td>8.3% to 1.3 million MT</td> <td>3.5% to 437,000 MT</td> </tr> <tr> <td>Cocoa</td> <td>34.3% to 47,000 MT</td> <td>30.4% to 30,000 MT</td> </tr> </tbody> </table> | | | Production | Local processing | Palm Oil | 16.5% to 18.4 million MT | 0.1% to 1.5 million MT | Rubber | 8.3% to 1.3 million MT | 3.5% to 437,000 MT | Cocoa | 34.3% to 47,000 MT | 30.4% to 30,000 MT | <ul style="list-style-type: none"> Increased production and local processing of industrial commodities | | | |
| | Production | Local processing | | | | | | | | | | | | | | | |
| Palm Oil | 16.5% to 18.4 million MT | 0.1% to 1.5 million MT | | | | | | | | | | | | | | | |
| Rubber | 8.3% to 1.3 million MT | 3.5% to 437,000 MT | | | | | | | | | | | | | | | |
| Cocoa | 34.3% to 47,000 MT | 30.4% to 30,000 MT | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Increasing food production and self sufficiency level (SSL) <table border="1"> <thead> <tr> <th></th> <th>Production</th> <th>% SSL</th> </tr> </thead> <tbody> <tr> <td>Rice</td> <td>27.4% to 2.9 million MT</td> <td>86</td> </tr> <tr> <td>Fisheries</td> <td>33.4% to 1.8 million MT</td> <td>103</td> </tr> <tr> <td>Beef</td> <td>31.2% to 45,000 MT</td> <td>28</td> </tr> <tr> <td>Poultry</td> <td>18.2% to 1.3 million MT</td> <td>122</td> </tr> </tbody> </table> | | | Production | % SSL | Rice | 27.4% to 2.9 million MT | 86 | Fisheries | 33.4% to 1.8 million MT | 103 | Beef | 31.2% to 45,000 MT | 28 | Poultry | 18.2% to 1.3 million MT | 122 | <ul style="list-style-type: none"> Increased food production and achieve SSL |
| | Production | % SSL | | | | | | | | | | | | | | | |
| Rice | 27.4% to 2.9 million MT | 86 | | | | | | | | | | | | | | | |
| Fisheries | 33.4% to 1.8 million MT | 103 | | | | | | | | | | | | | | | |
| Beef | 31.2% to 45,000 MT | 28 | | | | | | | | | | | | | | | |
| Poultry | 18.2% to 1.3 million MT | 122 | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Increasing ICT value added to RM30 billion Increasing ICT-related jobs to 500,000 | | <ul style="list-style-type: none"> Increased value added and jobs in the ICT sector | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Construction of East Coast Expressway Phase II from Kuantan - Kuala Terengganu, Senai-Desaru and Kemuning-Shah Alam highways Construction of roads to link resettlement areas with rural industrial areas and estates, particularly in Sabah and Sarawak Upgrading of Kuching, Kota Kinabalu, Kuala Terengganu and Labuan airports Construction of Seremban-Gemas and Ipoh-Padang Besar electrified double tracking rail projects. The projects are expected to be completed in 2012 and 2013, respectively | | <ul style="list-style-type: none"> Increased capacity, efficiency and network coverage of transport infrastructure | | | | | | | | | | | | | | | |
| Generating New Sources of Growth | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Increasing earnings of health tourism to RM1 billion Increasing earnings of education tourism to RM2 billion | | <ul style="list-style-type: none"> Health and education tourism established as major tourism products | | | | | | | | | | | | | | | |

| Commitment | Outcome |
|--|--|
| <ul style="list-style-type: none"> ▪ Increasing value of agriculture exports to RM72 billion ▪ Increasing export value of agro-based products to RM58.7 billion ▪ Expanding market for frozen food to Australia and the Netherlands ▪ Expanding market for processed food to People’s Republic of China, Japan, the Netherlands and Saudi Arabia | <ul style="list-style-type: none"> ▪ Increased exports of agriculture and agro-based products |
| <ul style="list-style-type: none"> ▪ Penetrating new markets in People’s Republic of China, India and West Asia for multimedia digital content for education and entertainment | <ul style="list-style-type: none"> ▪ Secured new markets for ICT products and services |

V. CONCLUSION

The growth in key sectors of the economy during the first half of the Ninth Plan was supported by adoption of new technologies and best practices as well as greater R&D. The highly competitive global environment requires Malaysia to reshape

its economic structure and strengthen its resilience through concerted efforts with greater private sector participation. To move the economy up the value chain, more synergistic and focused efforts will be undertaken to increase productivity and competitiveness, generate new sources of growth and expand into new markets.

