

Malaysia Needs To Manage And Adjust To Higher Cost Economy, Says Mahathir

August 8 2008

KUALA LUMPUR, Aug 8 (Bernama) -- Tun Dr Mahathir Mohamed, the architect for Vision 2020 said Malaysia can achieve the target by managing and adjusting to a higher cost economy.

"The world trend today is towards higher cost of everything. Our cost must increase anyway.

"But since high cost goes with prosperity, why not rise above the tide by actually creating and managing a higher cost economy. That way we can achieve our 2020 target," said the former Prime Minister.

He said this in a speech entitled "Approaching 2020 - Major Trends that will impact Malaysian Business" at the Perdana Leadership Foundation CEO Dinner Lecture 2008 here, Friday evening.

While there is no talk about deliberately increasing and managing cost, he noted that unconsciously, this was what the government has been doing all these years.

"And we have been successful at it. Otherwise, with our high cost, we would be poorer than our low-cost competitors. But we know we are more prosperous than them," he said.

Mahathir said Malaysia's costs are already higher than it was 30 years ago, and higher than those in other Asean countries except Singapore.

Yet, he noted that the country had remained attractive with political stability and consistency in government cited as one of Malaysia's greatest assets.

He said there were other things which made Malaysia attractive too, and if the country improves on these assets, the increase in cost (not just labour but transport and materials) would not make Malaysia any less attractive or the products less competitive.

"We must also remember that the pressure of increasing prices will be felt by our competing neighbours as well. They too will have to increase their cost of production.

"So our cost will not be, comparatively speaking, so high as to make us totally uncompetitive," he said.

Mahathir also stressed that Malaysia should systematically raise wages, which would result in higher purchasing power that would prosper businesses and in turn earn the government more income.

"I don't often admire Singapore or what it does. But when Singapore gained independence, it carried out a programme of steadily increasing wages every year.

"If we manage wage increases carefully enough, the wage spiral would not be too damaging. In time, it would settle and we would adjust to a high cost environment while our living standards also improve. Even our poor people will be less poor," said Mahathir.

The former premier explained that Malaysia cannot any longer offer itself as a cheap labour country.

He explained that with Malaysia's population expected to hit 35 million by 2020, a mass consumer market would make local manufacturing more viable.

"Against this, expect increased and less restricted imports. We must be more competitive and develop skills in hi-tech products and we must pay higher wages.

"The days of low labour costs would have been over before 2020," he said.

He noted that local workers must then be highly qualified and be trained in higher skills. Training of workers must be done at specialised training centres with computer programmes needed to carry it out.

"What all these means is that specialised education and training would become big business. The training centres would also cater for foreign students if we use English as a teaching medium," he said.

But chances are, the local highly trained workers would still cost less than similarly trained workers in the developed countries, which could mean a shift of some middle range hi-tech industries into Malaysia.

He added that although the country's present advantage was still the ability to take instructions in English, there would be a spread of the English language capabilities in China, Vietnam and other competitors.

"I hope the teaching of science and mathematics in English would continue.

"But I am not sure. If the decision is made not to, then the hi-tech industries are going to bypass us," he said.

Source: BERNAMA