



COMPETING IN THE GLOBAL ECONOMY: LEADING THROUGH PRODUCTIVITY

Dato' Nik Zainiah Nik Abd Rahman
Advisor
Ministry of International Trade & Industry

19 October 2011

“If we can tie productivity with innovation and creativity, the improvements in the problem solving will see a quantum leap instead of just being incremental”



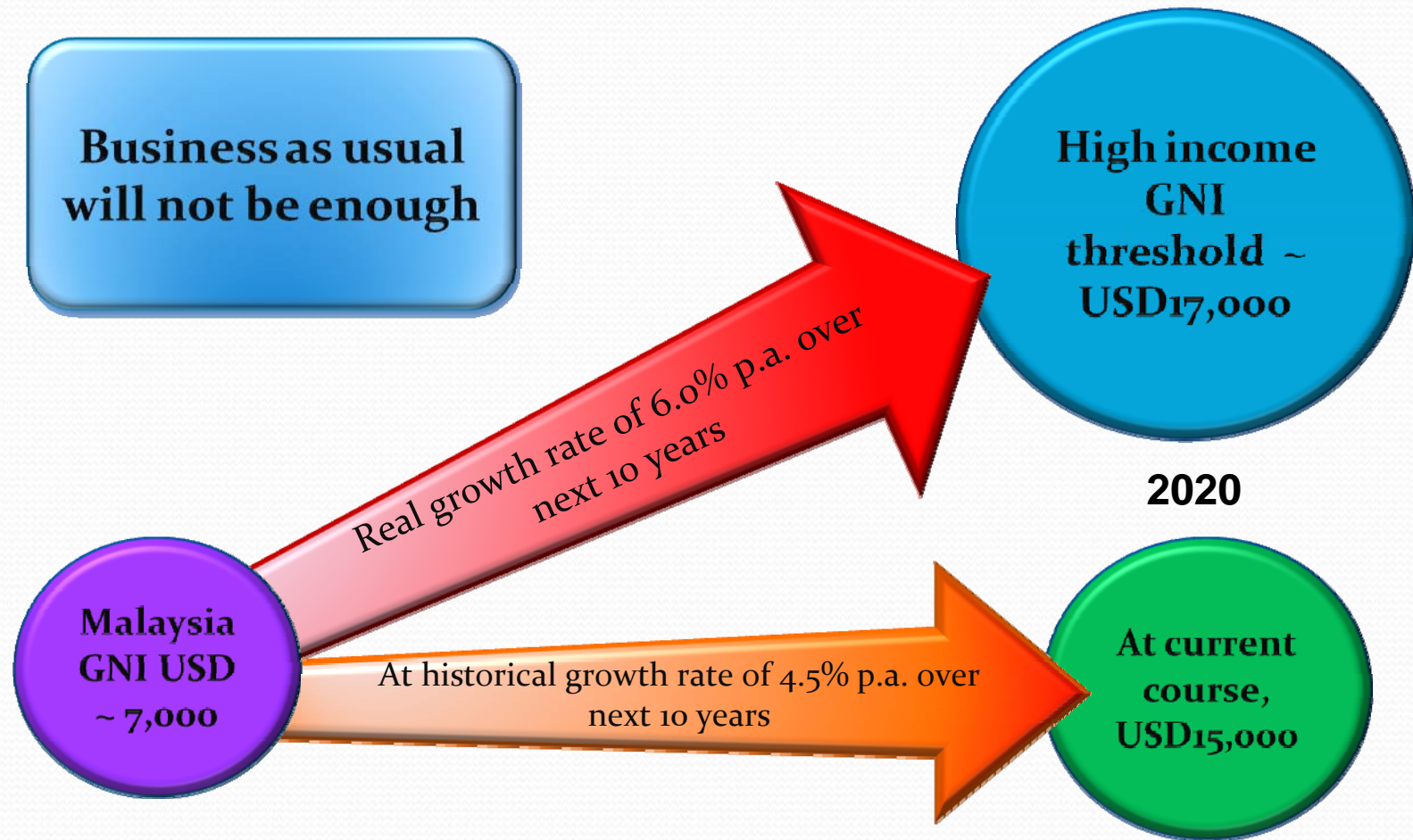
YAB Dato' Sri Mohd Najib Tun Abdul Razak

Outline

- ❑ Towards high-income economy
- ❑ Competitiveness
- ❑ Challenge The Status Quo
- ❑ How to?

To achieve high-income economy status by 2020, Malaysia must grow by at least ~6.0% year-on-year

Business as usual
will not be enough

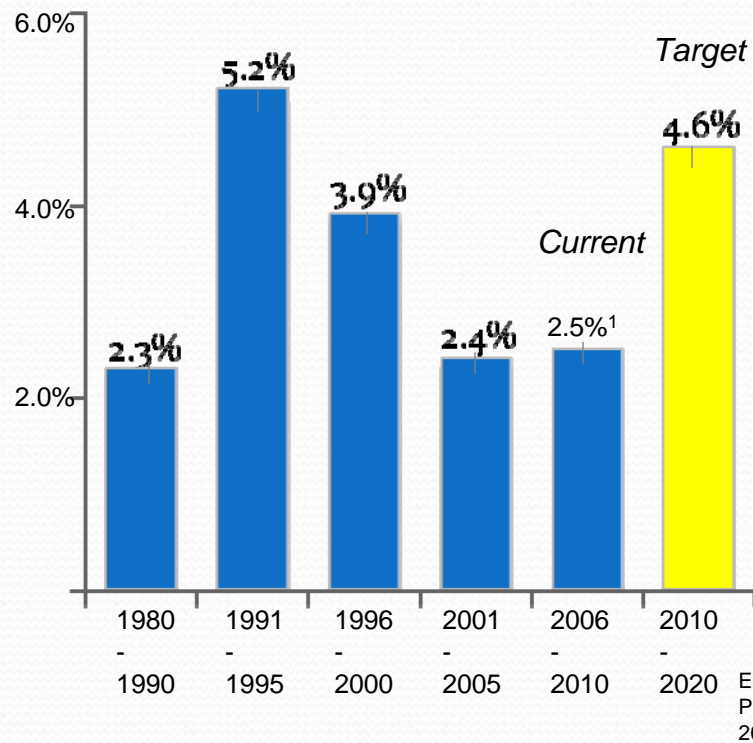


Malaysia needs to raise its productivity growth significantly

Ambitious but possible growth rate when compared to historic and peer growth rates

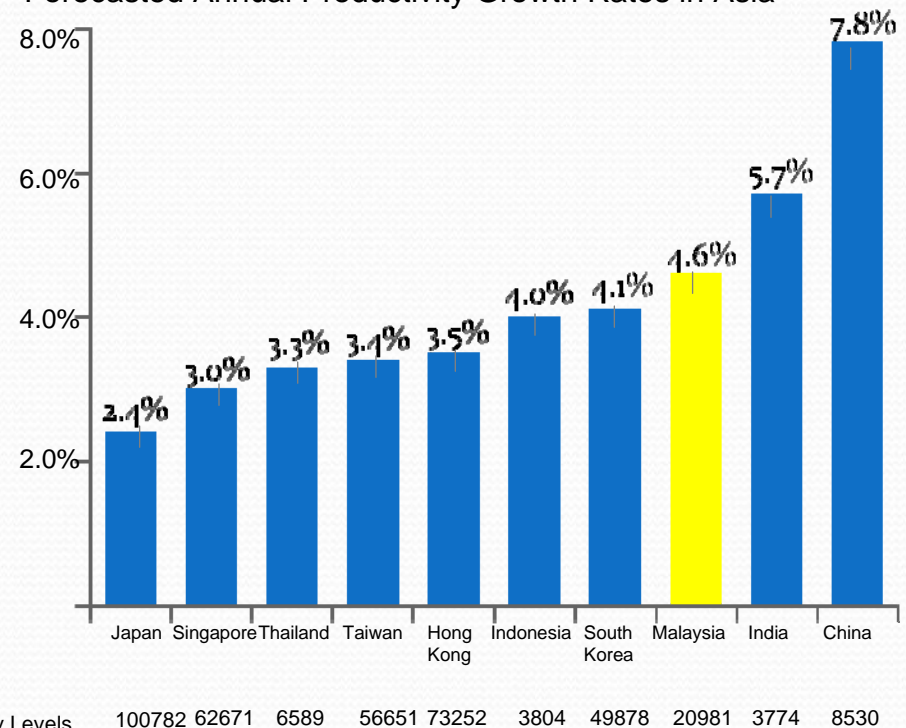
Target higher productivity growth over next 10 years ...

Average Annual Productivity Growth in Malaysia



... to drive Malaysia's economic growth ahead of many of its neighbors

Forecasted Annual Productivity Growth Rates in Asia²

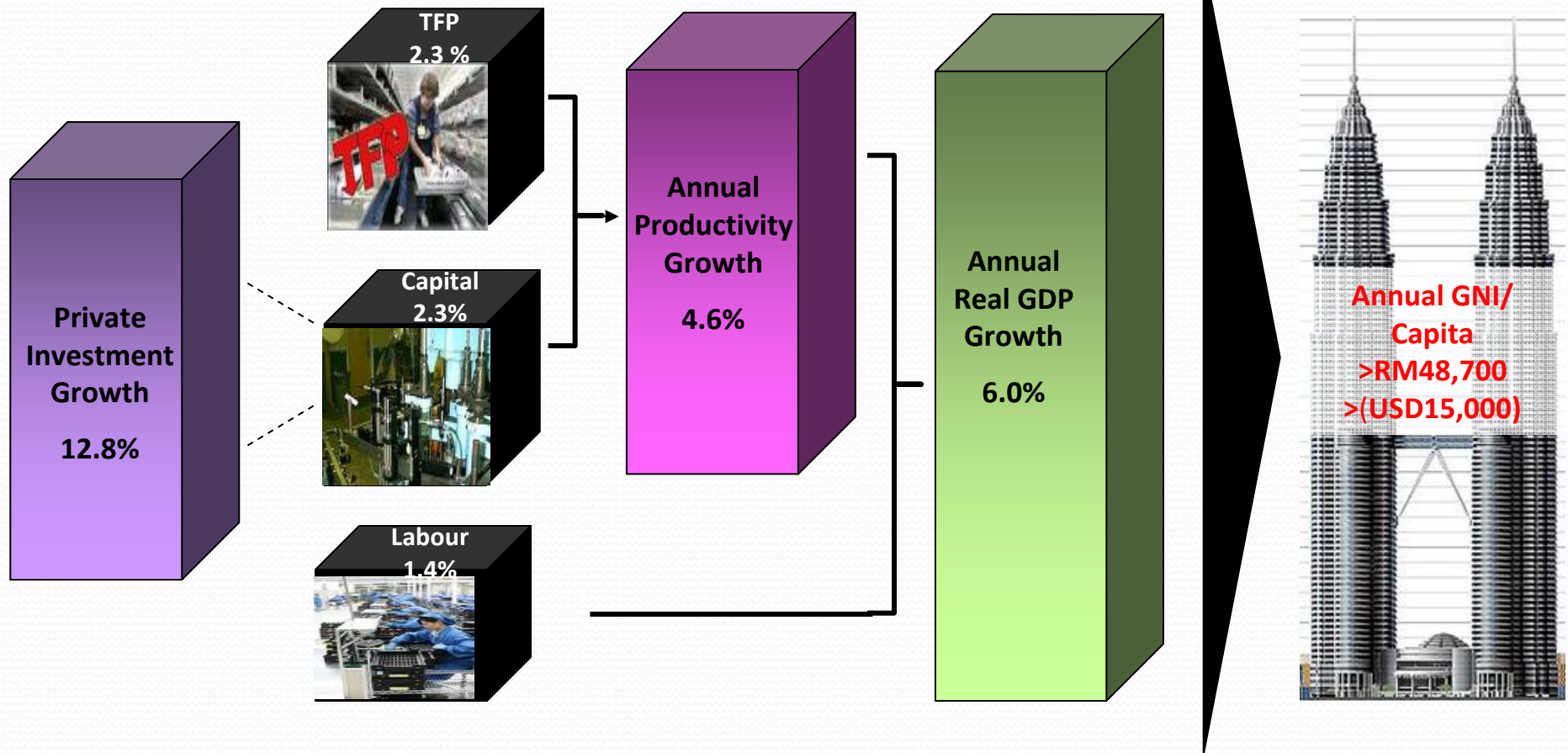


1. Estimate, based on forecasted 2010 productivity growth 2. For countries other than Malaysia, figures are forecasted average productivity rates over 2010-2014 3. At 2000 prices, based on MPC data of 2009 productivity levels (Annual Productivity Report) and avg. forecasted growth rates for 2010-2014. Assumption is that average stays same for 2010-2020. Source: MPC data; July 2010 Economist Intelligence Unit Market Indicators and Forecasts on labour productivity

Where We Want To Be In 2020

Strong private investment and productivity growth required to deliver robust annual GDP growth

...enabling Malaysia to reach high-income status by 2020



Malaysia needs strong growth in productivity to realize vision of a high- income economy by 2020

DOING BUSINESS 2011	Ranking
Malaysia ranked 21 st among 183 economies	
• Starting a business	113
• Dealing with licenses	108
• Registering property	60
• Getting Credit	1
• Protecting investors	4
• Paying taxes	23
• Trading across borders	37
• Enforcing contracts	59
• Closing a business	55

**DOING
BUSINESS**

**GLOBAL
COMPETITIVENESS
REPORT**

Global Competitiveness Report	2010-2011		2011-2012	
	Rank	Score	Rank	Score
Malaysia	26	4.88	21	5.08

Global Competitiveness Index	2010-2011 Ranking	2011-2012 Ranking
Basic Requirement	33	25
Institution	42	30
Infrastructure	30	26
Macroeconomic Stability	41	29
Health & Primary Education	34	33
Efficiency enhancers	24	20
Higher Education & Training	49	38
Good Markets Efficiency	27	15
Labor Market Efficiency	36	20
Financial Market Sophistication	7	3
Technological Readiness	40	44
Market Size	29	29
Innovation & Sophistication	25	22
Business Sophistication	25	20
Innovation	24	24

**Overall
Global
Ranking**

2011 (n: 59)

2010 (n: 58)

16

10

4 Factors (By Overall)

2010

2011

Economic Performance

8

7

Government Efficiency

9

17

Business Efficiency

4

14

Infrastructure

25

27

WORLD COMPETITIVENESS YEARBOOK

**World Competitiveness
Yearbook 2011 Ranking**

**Change from
2010**

1	Hong Kong	↑	1
1	USA	↑	2
3	Singapore	↓	-2
4	Sweden	↓	-2
5	Switzerland	↓	-1
6	Taiwan	↓	-2
7	Canada	—	-
8	Qatar	↑	7
9	Australia	↓	-4
10	Germany	↑	6
11	Luxembourg	—	-
12	Denmark	↑	1
13	Norway	↓	-4
14	Netherlands	↓	-2
15	Finland	↑	4
16	Malaysia	↓	-6
17	Israel	—	-
18	Austria	↓	-4
19	China	↓	-1
20	UK	↑	2

Challenge the Status Quo



PEOPLE



NATION



ORGANISATION

Challenge the Status Quo

Skill deficiencies for local production workers

PEOPLE

Skill deficiencies for local professional workers

Percent of managers considering the listed skill of local professionals as 'poor' or 'very poor'.



Source: World Bank (2005 and 2009c).

Percent of managers considering the listed skill of local skilled production workers as 'poor' or 'very poor'.



Source: World Bank (2005 and 2009c).

Reading habit – Readers profile
In 2005, Malaysian's below 40 years old have low reading habit
(on average of 2 books a year)

Challenge the Status Quo

ORGANISATION

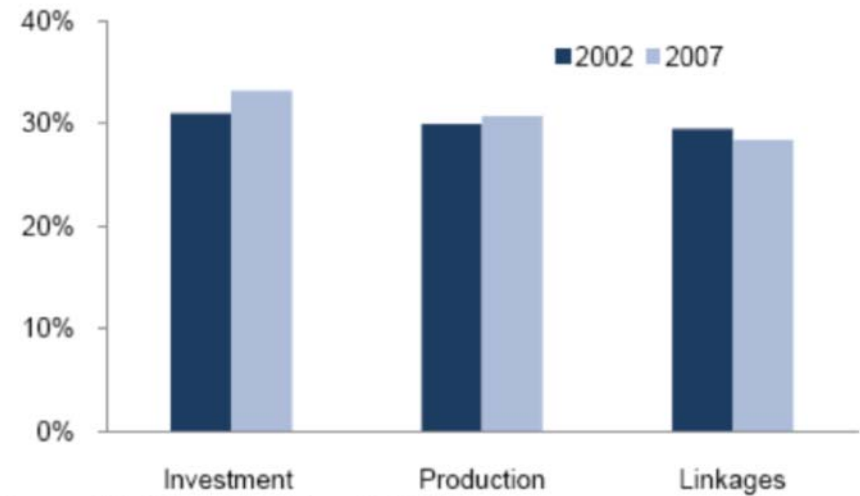
Clients and suppliers are key to innovation

	Share
Clients or customers	80
Within the company	58
Competitors and industry peers	48
Conference, trade fair and exhibitions	40
Universities and other higher education institutes	11

Source: MASTIC (2006)

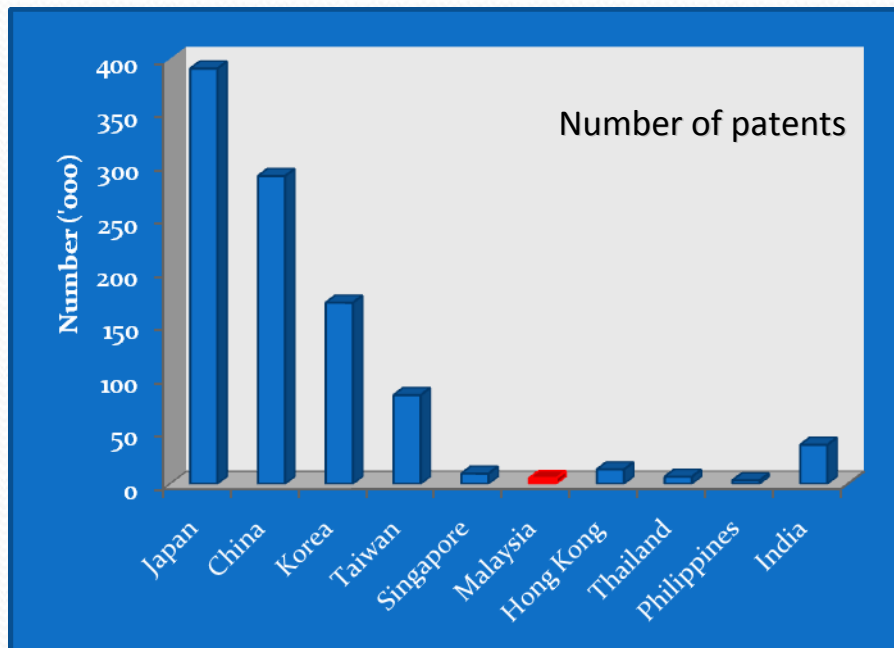
Technological capabilities improved only slightly from 2002 to 2007

Share of technology capability activities being undertaken



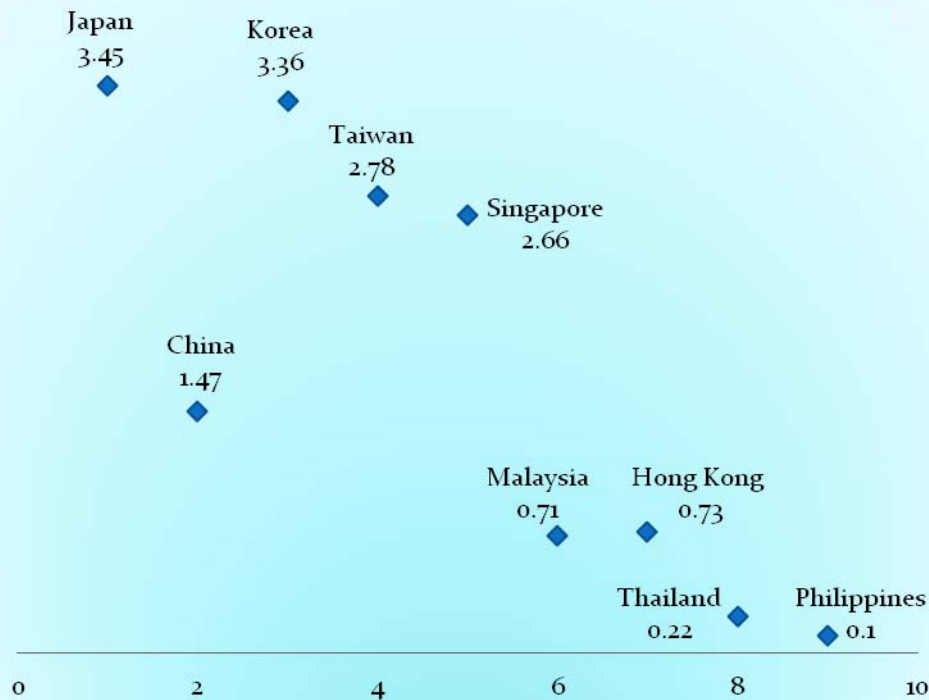
Source: World Bank (2005 and 2009c).

Note: Technology capability index (TCI) identifies 7 activities for investment, 14 for production and 9 for linkages.

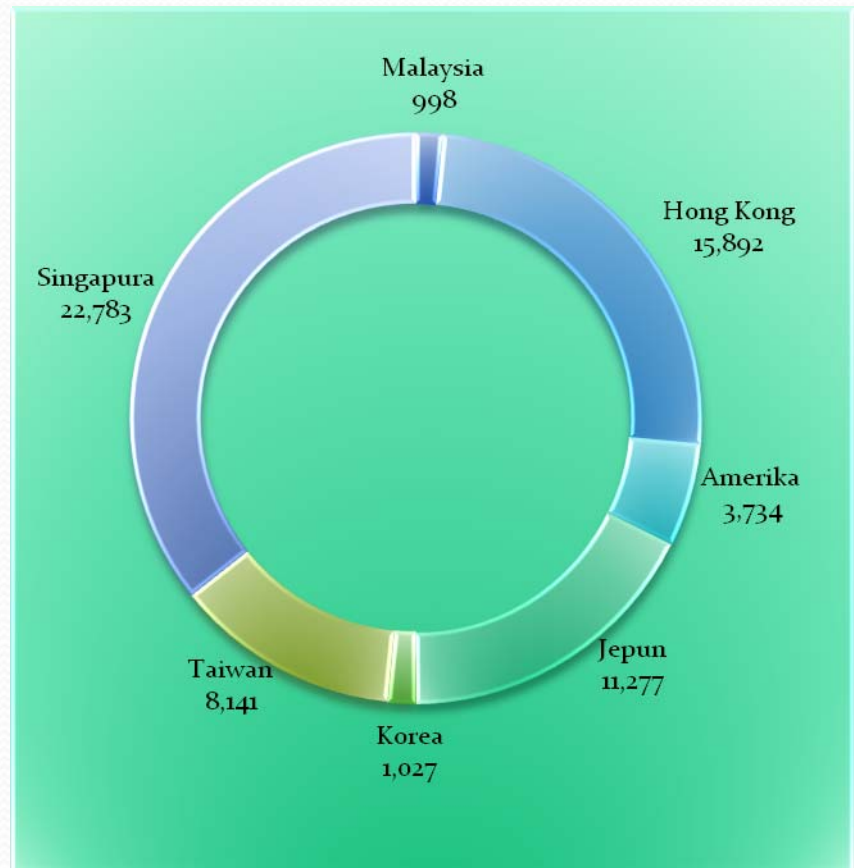


Indicators of technological innovation...
at comparatively low level

R&D Spending as percent of GDP, 2008



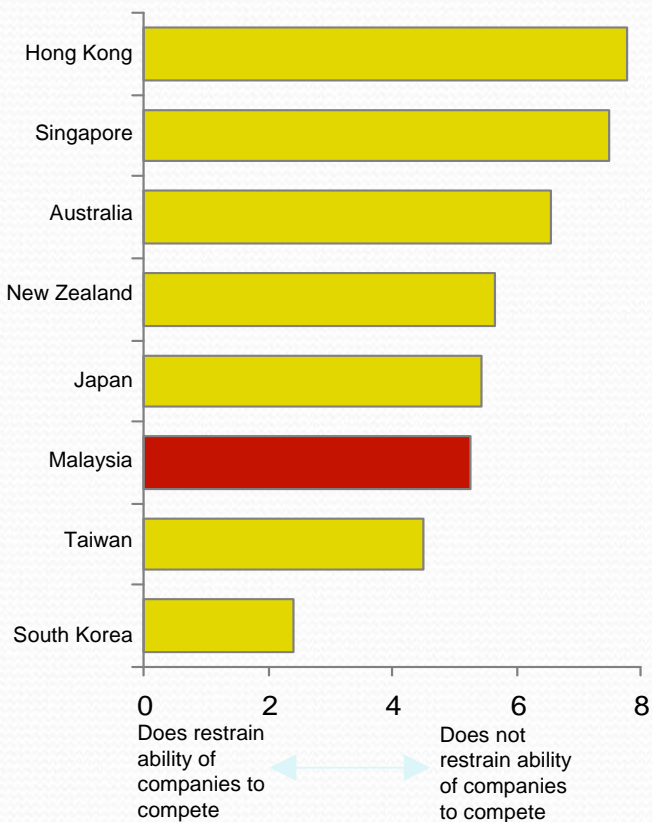
International internet connection
(bandwidth bits per individual)



Regulatory Review

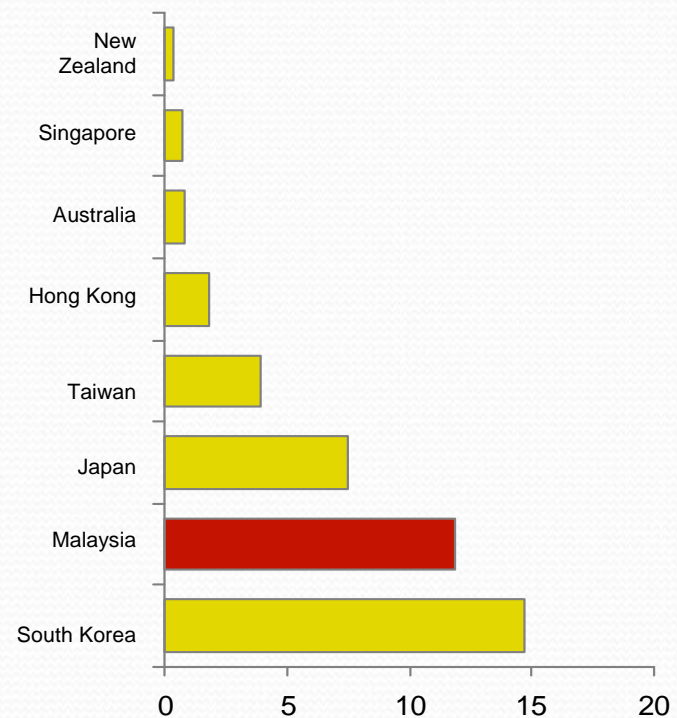
Restrains competition

Impact of regulatory intensity on companies ability to compete (survey results)



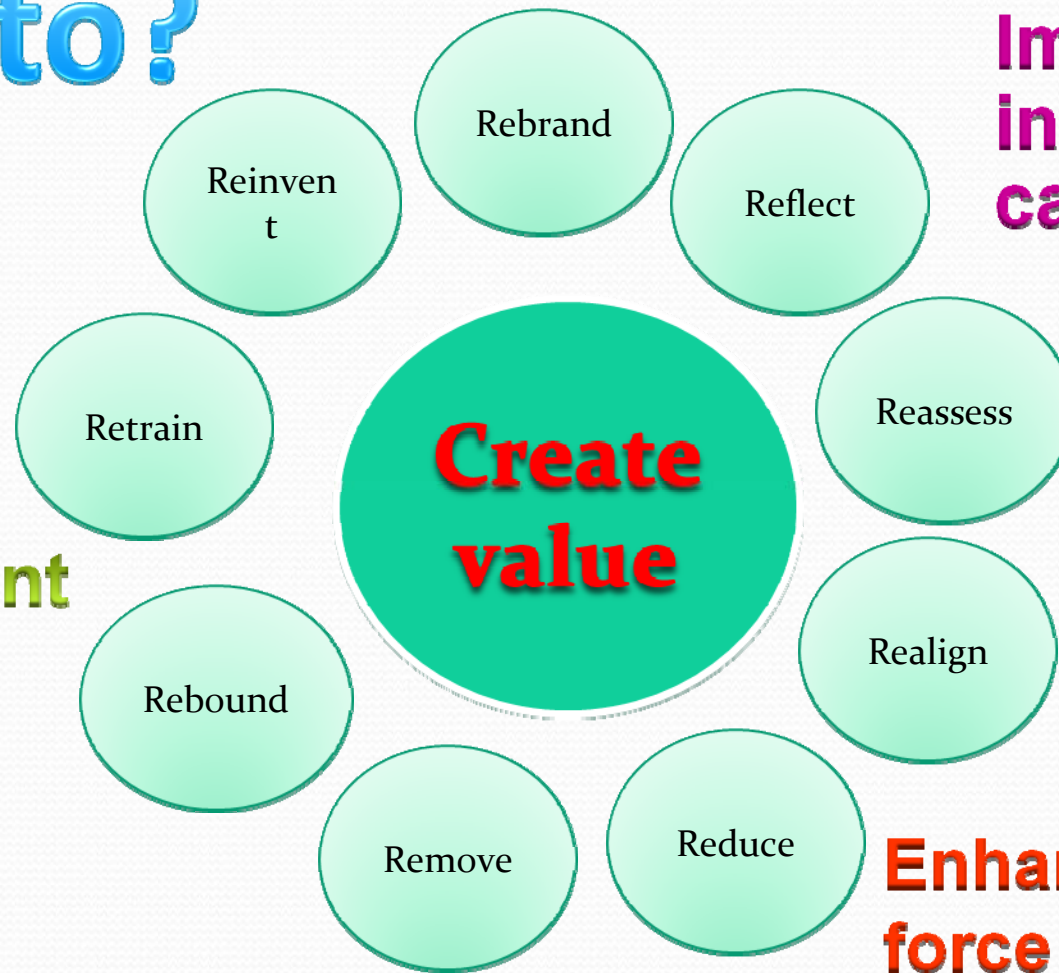
Adds administrative cost

Cost of starting a business (as % of per income capita)



How to?

**Government
delivery
system**



**Improve
innovation
capabilities**

**Enhance driving-
force at
organisation level**

How to? Improve Innovation Capabilities

Malaysia



Reading Habits



Australia

Talent

**Venture
capital
funding**

**Business
Growth Fund**



**Mudharabah
Innovation
fund (MIF)**

How to? Enhancing driving-force



1. Enterprise Innovation

- Improve innovation at companies by creating and implementing systems to address the entire innovation value chain

3. Business Excellence

- Measure, nurture and certify companies, and showcase role models to spur competition and set best practices for others to emulate
- Set and enhance innovation standards with the Health check framework

5. Regulatory Review

- Monitor, review, assess and provide recommendations for policy/ regulatory changes, and on new regulations, to enhance national productivity and innovation
- Support for existing committees on facilitating businesses

2. Knowledge Management

- Create knowledge base with productivity and industry reports, and provide fact base on productivity and innovation
- Support Regulatory Review and Enterprise Innovation with research output

4. Global Competitiveness

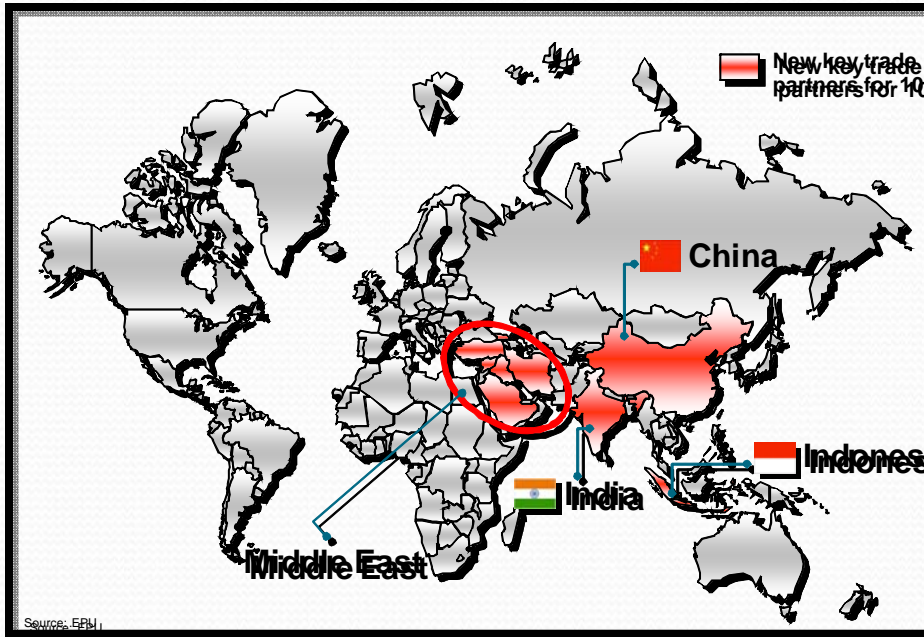
- Develop global and national macroeconomic knowledge base on Malaysia's competitiveness
- Expand focus to state-level benchmarking and support int'l benchmarking for reg. review



- Expansion/Enhancement of current activities
- New or refocused activities

How to? Enabling Amplifier of Innovation

New Emerging countries



Malaysia corridors



Corridors will be focused around several key clusters with competitive advantage in order to maximise economic growth

Cities will be developed as economically dense urban clusters which will compete for talent, companies and capital

