

Answer on Question #43960 – Economics – Macroeconomics

Describe and analyse the main macroeconomics issues in Malaysia for the period from 2005 to 2010.

Solution:

Malaysia is a relatively open state-oriented and newly industrialised market economy. The state plays a significant but declining role in guiding economic activity through macroeconomic plans. Malaysia has had one of the best economic records in Asia, with GDP growing on average 6.5 per cent annually from 1957 to 2005. In 2011, the GDP (PPP) was about \$450 billion, the third largest economy in ASEAN and the 29th largest in the world. In 1991, a former Prime Minister of Malaysia, Mahathir bin Mohamad outlined his ideal in Vision 2020, in which Malaysia would become a self-sufficient industrialized nation by 2020. Najib Razak has said Malaysia could attain developed country status much earlier from the actual target in 2020, adding the country has two program concepts such as Government Transformation Programme and the Economic Transformation Programme. Viktor Shvets, the managing director of Credit Suisse, has said "Malaysia has all the right ingredients to become a developed nation."

In the 1970s, the predominantly mining and agricultural-based economy began a transition towards a more multi-sector economy. Since the 1980s, the industrial sector, with a high level of investment, has led the country's growth. The economy recovered from the 1997 Asian financial crisis earlier than neighbouring countries did, and has since recovered to the levels of the pre-crisis era with a GDP per capita of \$14,800. Economic discrepancies exist between different ethnic groups. The Chinese make up about one-third of the population, but accounts for 70 per cent of the country's market capitalisation. Chinese businesses in Malaysia are part of the larger bamboo network, a network of overseas Chinese businesses in the Southeast Asian market sharing common family and cultural ties.

International trade, facilitated by the shipping route in adjacent Strait of Malacca, and manufacturing are the key sectors. Malaysia is an exporter of natural and agricultural resources, and petroleum is a major export. Malaysia has once been the largest producer of tin,[149] rubber and palm oil in the world. Manufacturing has a large influence on country's economy, although Malaysia's economic structure has been moving away from it. Malaysia remains one of the world's largest producers of palm oil.

In an effort to diversify the economy and make it less dependent on export goods, the government has pushed to increase tourism to Malaysia. As a result, tourism has become Malaysia's third largest source of foreign exchange, although it is threatened by the negative effects of the growing industrial economy, with large amount of air and water pollution along with deforestation affecting tourism. Between 2013 and 2014, Malaysia has been listed as one of the best place to retire in the world with the country stand at the third position on the Global Retirement Index. This is one of the result of the Malaysian My Second Home programme to allow foreigners to live in the country on a long-stay visa for up to 10 years.

The country has become a centre of Islamic banking, and it is the country with the highest numbers of female workers in that industry. Knowledge-based services are also expanding. To create a self-reliant defensive ability and support national development, Malaysia privatised some of its military facilities in the 1970s. The privatization has created defence industry, which in 1999 was brought under the Malaysia Defence Industry Council. The government continues to promote this sector and its competitiveness, actively marketing the defence industry.

Science policies in Malaysia are regulated by the Ministry of Science, Technology, and Innovation. The country is one of the world's largest exporters of semiconductor devices, electrical devices, and IT and communication products. Malaysia began developing its own space programme in 2002, and in 2006, Russia agreed to transport one Malaysian to the International Space Station as part of a multi-billion dollar purchase of 18 Russian Sukhoi Su-30MKM fighter jets by the Royal Malaysian Air Force. The government has invested in building satellites in through the RazakSAT programme.