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Reboot education system, boost R&D to reach high-income mark

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KUALA LUMPUR: With a bigger economic pie, the government can reengineer a more equitable society. But the going will not be easy. The world is increasingly protectionist. Political tensions and wars abound. These may affect our economic growth. — BERNAMA

LAUNCHED on Aug 1, the World Bank's *World Development Report 2024: The Middle Income Trap* states that 108 countries with per capita income of between US$1,136 and US$13,845 are racing to become high-income nations within 30 years.

The finish line is US$14,005. With a per capita income of US$11,690, Malaysia is one of the aspirants, its ambition fuelled since the launch of Vision 2020.

The 2010 Economic Transformation Programme furthered the agenda. It benchmarked the per capita income target to the World Bank's threshold. Year 2020 has long passed.

Since then, the National Fourth Industrial Revolution Policy and the Shared Prosperity Vision 2030 have kept alive the yearning to achieve high-income status.

The obsession with high-income status is desirable. For one, higher incomes will fuel consumption to make growth sustainable while providing society with a higher quality of living.

Poverty would be cut and absolute poverty eliminated. And with a bigger economic pie, the government can reengineer a more equitable society.

But the going will not be easy. The pandemic delayed the journey. And the geopolitics is different from that in the 1990s when Vision 2020 was crafted.

The world is increasingly protectionist. Political tensions and wars abound. These may affect our economic growth.

Domestically, socio-economic priorities may stall productivity as they move resources away from productivity-boosting initiatives.

For example, the population is ageing. By 2030, the United Nations projects that 15 per cent of Malaysia's population will be above 60.

The healthcare and the financial wellbeing of the elderly remain a priority for the government.

That Malaysia plunged seven places from its 27th ranking out of 67 countries last year to 34th in the 2024 World Competitiveness Ranking points to weakness of the macro-economic and business ecosystem.

Government finances require fixing to reinvigorate the economy. The public debt is at the statutory limit of 65 per cent of gross domestic product.

Although the fiscal deficit is diminishing, the government should prove its determination to reduce the budget deficit to 3.5 per cent over the next two years.

Malaysia can still achieve rich-nation status, but this will require tough reforms.

By accelerating domestic and foreign investments in high-end technologies, Malaysia is already in the right direction. This should boost competitiveness while creating high-quality jobs and higher incomes.

Two other initiatives are needed to support this venture. These are trite but are worth repeating to trigger speedier implementation.

First, we need the requisite talent to capitalise on these high-end technologies.

Chile, South Korea and Poland show how a strong education system and vocational training can develop large talent pools to support these investments.

Take South Korea. In the early 1960s, South Korea was among the least developed with a per capita income of less than US$1,200.

Now, it is about US$33,000. How did South Korea make that jump?

From the 1960s through the 1980s, a judicious blend of industrial and educational policies ensured high investment rates and the skills to apply these foreign technologies.

We are not in that enviable position. The erosion of the talent pool threatens to undercut our economic growth. For example, more than half of the Malaysian diaspora in Singapore have tertiary-level qualifications.

And nearly three-quarters are skilled and semi-skilled.

While economic imperatives dictate decisions to work abroad, we should also ensure more inclusive policies to staunch the talent outflow.

We are making progress in vocational and technical training.

But our education system needs a reboot. It must be aligned with the technological advancements sweeping the world. That way, we can build a larger talent pool.

Second, we need more Research and Development (R&D) to boost domestic capabilities. After the 1980s, South Korea promoted domestic innovation to keep growth humming.

Malaysia should do likewise. As a percentage of the gross national product, Malaysia is lagging behind South Korea in R&D expenditure by as much as four times.

But this situation is surmountable. For one, the government could double the allocation for R&D. For another, it could give generous tax incentives to encourage businesses to innovate or import innovations.

Another point: becoming a high-income nation will be pointless if it does not make for a more equitable society.

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