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Malaysia's experience in relying on the private sector to achieve economic diversification

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Abstract : Microsoft has demonstrated a unique experience in relying on private agents as a strategic tool for economic diversification and reliance on private and oil resources. The private sector has contributed significantly to the development of non-traditional sectors such as industry, agriculture, tourism, digital services, as well as the economy and technology. The Malaysian government has implemented policies to support the private sector by improving the environment, simplifying administrative procedures, and increasing financing benefits and facilities. We have also begun to increasingly promote public-sector partnerships in the areas of information and communications technology and quality. This is expected to lead to job creation and a reduction in the number of workers, including a shortage of workers. It has also contributed to Malaysia's integration into global financial value chains and expanded its capabilities in developing products and services across multiple disciplines. Despite these successes, challenges remain for the Malaysian private sector, including disparities in the distribution of investments, multi-use, and the need for digital reform and management. The social security system certainly confirms the role of the private sector, which possesses economic intelligence, long-term incentives, and flexible policies capable of fostering creative innovation.

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Keywords: Malaysia, Private sector, economic diversification, Public-Private Partnership, Non-oil Sectors.

INTRODUCTION: Economic diversification is essential for achieving sustainability and economic growth for all countries around the world, especially those that rely on limited or unsustainable sources of income, such as depletable natural resources. Given the growing need to enhance the role of the private sector in the economy, which is a major driver of growth and an important source of job opportunities and innovation, the private sector is capable of playing a key role in promoting economic diversification by investing in non-traditional sectors and expanding the production base. This contributes to reducing dependence on traditional sectors such as oil and gas and supports the transition to a diversified and sustainable economy. With increasing volatility in global oil prices and the risks associated with reliance on a single source of income, the urgent need to expand the national economy and diversify sources of income to ensure sustainable economic growth is highlighted. In addition to the structural challenges it faces, the private sector plays a pivotal role in achieving economic transformation through its ability to attract investment, provide job opportunities, and strengthen the productive and service sectors. In developing countries, this sector faces numerous challenges, including complex regulatory environments, difficulties accessing financing, and weak infrastructure. Therefore, enhancing private sector participation requires creating a suitable investment environment and adopting stimulating economic policies that encourage investment in non-oil sectors.

Research Importance:

This research highlights the important role the private sector can play in achieving economic diversification and sustainable development, drawing on Malaysia's experience as a successful model in reducing dependence on natural resources. It also highlights the private sector's contribution to the development of sectors such as industry, technology, and services, along with the challenges it faces in developing countries. The research aims to draw lessons from the Malaysian model and provide practical recommendations to enhance the private sector's role in creating job opportunities, stimulating investment, and supporting sustainable economic growth.

Research Objective:
This research aims to identify the obstacles facing the private sector in developing countries, with a focus on the importance of economic diversification in achieving financial stability and sustainable growth. The research also seeks to analyze Malaysia's experience as a successful model in using the private sector as a primary tool for economic diversification, by reviewing the areas in which it has contributed, the challenges it has faced, and the policies adopted by the government to enhance this role. In doing so, lessons learned from the Malaysian model will be drawn, and recommendations will be made that can be used by other developing countries seeking to build a diversified, stable, and sustainable economy.

Research Problem
The research problem is represented by the following question: Is the private sector's contribution to the economic diversification process in Malaysia still limited and insufficient to achieve sustainable economic growth?

Research Hypothesis:
The research assumes that the private sector in Malaysia plays a significant role and that economic diversification can be achieved through identifying the challenges facing the private sector, developing clear strategies, formulating solutions in a systematic and organized manner, and adopting integrated economic policies that focus on improving the investment climate and enhancing cooperation between the public and private sectors.

Research Methodology:
The deductive approach was used, starting with a general reading of the role of the private sector in the Malaysian economy, using an analytical approach based on indicators to arrive at the reality of this role, while the executive authority seeks to provide sovereign guarantees to the private sector and strengthen it.

Chapter One
The Theoretical Framework of the Private Sector and Economic Diversification
First Section: The Concept of the Private Sector
The private sector is one of the economic systems that specializes in providing material and service production services to members of society through production owned by an individual, a family, or a group of people linked by a common interest in increasing production. The private sector represents a positive economic model in countries that emphasize liberal economic freedom and capitalism, and a negative model in countries whose policies are plagued by financial and administrative corruption, specifically developing countries. To begin, a clear and comprehensive definition of the concept of the private sector must be established. It is necessary to understand the concept of the public sector, which is everything owned by the state and managed with its knowledge and means, and is therefore owned by all citizens together. The private sector, on the other hand, is everything owned by individuals, regardless of their orientations and culture, who manage it with their knowledge and means under the protection and oversight of the state. Therefore, everyone working in the various industrial, commercial, agricultural, and service sectors, as well as all intellectual and scientific professions, all belong to or are affiliated with the private sector, whose members do not receive income or Revenue from the state budget (Thanks, 2016: 15-16).

The concept of the private sector includes institutions and companies that are not owned by the government and are entirely subject to capital, individuals, and companies. The private sector is also defined as "the economic activity of individuals or legal entities, for profit, not owned by the state." That is, private sector activities are under the oversight and control of the ownership of non-governmental economic units, such as the family sector or the business sector (companies and institutions). Each unit seeks to use economic resources to maximize its returns and achieve the highest possible profit (Aday, 2023: 3).

Some define it as a national economy based on private ownership of the means of production, in which productive resources are allocated by market forces, rather than by public authorities(Shuaib, Abdul Razzaq, 2015: 27). Some economists believe that the private sector is a national economic sector in which private ownership is fully implemented and productive resources are allocated through market forces, not through state institutions. From the previous definitions, we conclude that the private sector is the backbone of the market economy(Abdul Razzaq, 2017: 175). It plays a key role in production, employment, innovation, and initiative. It represents the legal basis for the economic activity undertaken by this privately owned sector, which distinguishes it from other economic sectors.

Second Requirement: The Theoretical and Conceptual Framework for Economic Diversification
Economic diversification is one of the main approaches to addressing the structural imbalances of monolithic economies. This is achieved through optimal independence of all of society's material, human, and financial resources. These economies must be spared the various crises and sudden, serious shocks that result from fluctuations in the prices of these primary resources. This commitment, initially, provides the theoretical basis for the concept of economic diversification and its surrounding aspects.

First: Concepts of Economic Diversification

Economic diversification is defined as a process aimed at diversifying the production structure and creating new income-generating sectors, thus reducing total dependence on revenues. The primary sector of the economy, as this process will lead to the opening of new areas with higher added value and capable of providing more positive job opportunities for the national workforce. This will lead to higher growth rates in the long term(Al-Shabibi, no year: 7). It also means "the desire to achieve a greater number of primary sources of income in the country, which will enhance its true capabilities within the framework of global competitiveness. This is achieved through efforts to increase production capacities in various sectors, without requiring these sectors to have a high competitive advantage. It is based on the need to gradually increase the number of these sectors so that they provide alternatives that can replace single resources." Economic diversification is also defined as "the distribution of investment across different sectors of the economy to reduce the risk of overreliance on a single resource, a single sector, or very few sectors." Others define the term economic diversification as the process that prevents the economy from being entirely dependent on economic sectors related to the export of raw natural resources. It also seeks to expand the scope of economic activities seeking promising competitiveness by creating added value in a manner that leads to sustainable development for the country in the long term. In addition to the above, it can be said that economic diversification lies in creating and expanding the production base across diverse economic sectors and reducing reliance on a single source (such as oil), which is influenced by external factors beyond the economy's control. Achieving economic diversification requires a set of policies and tools that contribute to providing multiple sources of income, which increases the economy's ability to confront crises and achieve long-term sustainable economic development.

Second: Economic Diversification Goals

Price stability is a key factor driving diversification, as price fluctuations in supply and demand are fundamental components of the global economic system. Therefore, diversification is among the options available to organizations, companies, and individual investors to protect themselves from this phenomenon. The government seeks economic diversification, which is also linked to development issues at all levels. The main objectives that benefit a country that pursues an economic diversification policy can be summarized as follows:

- Supporting non-oil sectors is an economic necessity in order to achieve economies that are effectively integrated into the global economy without relying on hydrocarbons.
- Reducing the role of the state in the economy and giving a greater role to the private sector.
- Reducing the risks of alternative energy replacing oil and the gradual loss of OPEC countries' influence in the global oil market.
- Achieving self-sufficiency in goods and services, increasing exports, reducing imports of consumer goods, providing job opportunities, and thus improving the standard of living for individuals.
- Reducing economic risks and the ability to cope with external crises and shocks, such as fluctuations in the prices of raw materials such as oil and droughts for agricultural and food products, as well as deteriorating economic activity in global markets, especially in partner countries such as European countries, compared to Arab countries.
- The goal of economic diversification in single-exporting countries is to strengthen economic growth, as economic growth is known to increase the production of goods and services.[3]

Third: Motives for Economic Diversification

We can summarize the various motives that dictate the need for a country to diversify its economy as follows:

1 .Increasing value added. Vertical diversification creates forward and backward linkages in the economy, as the outputs of one sector constitute the productive inputs of the other sector. Diversification also creates job opportunities and thus increases the incomes of production factors. Stabilizing these factors leads to increased value added generated locally and accelerates the process of economic growth.

2 .Reducing investment risks: Economic diversification aims to increase economic growth rates by increasing investment opportunities and reducing investment risks. This involves distributing investments across a large number of economic activities, resulting from a concentration of these investments in a small number of sectors.

3 .Enhancing and maintaining a country's negotiating power in foreign trade. Supporting various sectors is essential for establishing competitive economies and effectively integrating into the global economy without relying heavily on primary resources.

4. Reducing the risks leading to a decline in export earnings. Some countries with weak economies rely on exporting a single product or a specific number of products. This will lead to a decline in export revenues when the prices of these products decline. However, when exports are diversified, the risks of a decline in their price index will be distributed across a large number of goods and services, which reduces losses resulting from price fluctuations[4].

5. Increasing diversification in economic sectors. Diversification in economic sectors leads to diversification of sources of income and thus getting rid of the phenomenon of (Dutch disease), which most oil-producing countries

suffer from as a result of increasing their oil exports, which leads to an increase in the value of the local currency compared to the foreign currency, and thus leads to an increase in the prices of local goods, which leads to a decrease in their competitiveness in global markets, and thus the demand for the local commodity decreases in relation to foreign goods, and when distributing exports, the risks of a decrease in the export price index will be distributed over a large number of goods and services[5].

Section Two

The Malaysian Experience in Activating the Private Sector and Economic Diversification

First Section: A Brief Introduction to Malaysia

Malaysia is located in Southeast Asia and consists of 13 states and three federal territories. According to the 2023 census, Malaysia's population reached approximately 35.13 million, spread over an estimated geographical area of approximately 330,290 km². It is noted that the population distribution in Malaysia is uneven, with the population density concentrated in the Malay Peninsula, which is the most urbanized and industrialized region in the country, with a population of over 20 million. Examining the eastern regions, its population is estimated at approximately 7 million. This demographic variance is assigned to the focus of sophisticated industries and infrastructure on the peninsula, versus the lower degree of development in the east. Although Malaysia was ranked among the poorest nations globally roughly four decades ago, it has seen an impressive economic revival, thanks to its self-sufficiency and the implementation of effective development policies. The gross domestic product (GDP) increased to RM1,822.9 billion in 2023, with a yearly growth rate of 1.62%. This expansion contributed to diminishing the poverty rate to 6.2% by 2022, and per capita income increased to almost one US dollar in 2023. Furthermore, the unemployment rate declined to roughly 3.86% in that same year. This advancement is credited to the Malaysian government's substantial efforts to fortify the economy and improve the business environment, specifically in the financial and commercial sectors. Despite this progress, Malaysia ranked 188th worldwide according to the Human Development Report.

Undoubtedly, the Malaysian experience ranks among the most successful development journeys within the Islamic world, especially in its capacity to attain enduring economic growth by diversifying revenue streams. This outcome directly stemmed from the endeavors of successive Malaysian administrations, which worked to revise economic and social policies, steering the nation towards a modern, diverse economic system.l.[6]

First: Features of the Malaysian Economy

The Malaysian experience has garnered widespread notice and in-depth conversation in development circles, due to the motivating lessons and successful routes it possesses that are worthy of consideration and learning. In merely a few decades, Malaysia has transformed itself from a poor nation with high rates of illiteracy and illness, and whose economic activity was limited to rice farming and consumption, into a modern country with a diversified economy and distinct development goals. Remarkably, this transformation came after Malaysia was founded as a unified state in 1963, rendering its experience a vivid example of the possibility of rapid recovery when there is vision, resolve, and effective governance. Malaysia, an upper-middle-income country, has successfully transformed its economy from a producer of raw materials to a multi-sector economy since the 1970s.s. In its new economic model, Malaysia aims to achieve high-income status and continue to enhance value-added production by attracting investment in knowledge-based and high-tech industries and services. The economic transformation program consists of a series of projects and policy measures aimed at accelerating the country's economic growth. The government is also taking steps to privatize some subsectors of the services sector. Malaysia has transformed from an agricultural economy dependent on the export of palm oil and timber to an advanced industrial economy that exports electronics, computer components, and cars. Infrastructure has risen from mud huts to skyscrapers and modern homes comparable to those in Japan and the United States, in addition to a sophisticated network of roads and railways. In a relatively short period of time, Malaysia has been able to Building a pioneering development experience, presented as an inspiring model in confronting the challenges of poverty and unemployment, this achievement was not a mere coincidence, but rather the result of well-thought-out strategic decisions taken by political and economic decision-makers there, to establish the foundations of a cohesive society and a solid economy. The social and economic challenges imposed on the Malaysian leadership, especially after independence, the relentless pursuit of eradicating poverty, not only as an economic goal, but as a necessity for building social cohesion and political stability. The achievements made in just twenty years made the Malaysian experience an example worthy of contemplation and research to extract the elements of its strength and the secrets of its success. What distinguishes this experience is that Malaysia was not a colonial state that plundered the resources of others to build its economy, nor was it a naturally rich country that qualified it to finance development plans through huge oil or mineral revenues, as is the case with some oil-exporting countries. On the contrary, Malaysia suffered from British colonialism, which did not content itself with exploiting its resources, but also brought about a profound social transformation that led to the exclusion of the indigenous people (Malays) from

positions of economic influence and imposed marginalization on them, while The Chinese and Indian minorities were empowered to serve colonial interests.[7]
Malaysia emerged from this era facing a complex ethnic dilemma, which many considered intractable. However, the country did not surrender to these challenges. Instead, former Prime Minister Mahathir Mohamad led the national transformation process, uniting the diverse components of society under a single national banner through a unifying discourse and policies based on the principle of "Malaysia for All".
Ultimately, the Malaysian experience proves that progress is not the preserve of rich countries or those endowed with abundant natural resources. Rather, it is a matter of choice and will, achieved through conscious leadership, sound policies, and intelligent investment in human capital. These efforts culminated in the announcement of Malaysia Vision 2020, a long-term plan spanning thirty years, aiming to transform Malaysia into a developed country by 2020, without compromising its religious and cultural identity or imitating Western models. Indeed, after Vision 2020, Malaysia has not only emerged from poverty and backwardness, but is also on the verge of entering the global stage. These are developed countries, although some goals have not been fully achieved. Most importantly, Malaysia today possesses the solid foundations, institutions, infrastructure, and vision to continue its rise in a changing world.

Second Requirement: The Structure of the Gross Domestic Product (GDP) and the Nature of Sectoral Contribution in Malaysia

GDP is an important economic indicator reflecting the overall performance of the Malaysian economy. Analyzing the contribution of the main economic sectors (oil, agriculture, industry, and services) to the GDP is important for understanding the structure of the economy, its diversity, balance, and ability to grow and adapt to changes. This analysis provides an accurate view of the country's dependence on a particular sector, or its success in achieving economic diversification, which is one of the most important factors for economic stability and sustainable development. It also helps evaluate the effectiveness of economic policies and direct future investments toward sectors with high added value and significant employment.[8]

Analyzing the reality of oil and non-oil revenues.

(1) *Table*

Contribution of oil and non-oil revenues to Malaysia's total revenues for the period (2004-2023)

year	Total Revenue Million Ringgit Oil Revenue	Oil revenues million ringgit	Contribution of oil revenues to total revenues %	Non-oil revenues million ringgit	Contribution of non-oil revenues to total revenues%
2004	106300	26546	24.97	79754	75.03
2005	173500	38050.5	21.93	135449.5	78.07
2006	139900	39884.9	28.51	100015.1	71.49
2007	159800	38589.7	24.15	121210.3	75.85
2008	160800	54666.4	34.00	106133.6	66.00
2009	159700	27801.4	17.41	131898.6	82.59
2010	185400	37785.9	20.38	147614.1	79.62
2011	207900	49233.6	23.68	158666.4	76.32
2012	175796	46620.1	26.52	129175.9	73.48
2013	171126	43799.2	25.59	127326.8	74.41
2014	198201	42444.7	21.41	155756.3	78.59
2015	218910	21184.9	9.68	197725.1	90.32
2016	212449	18745.5	8.82	193703.5	91.18
2017	220941	27446.2	12.42	193494.8	87.58
2018	233089	39089.5	16.77	193999.5	83.23
2019	264729	27229.3	10.29	237499.7	89.71
2020	225539	8510.9	3.77	217028.1	96.23
2021	233853	27876.6	11.92	205976.4	88.08
2022	294199	100458.4	34.15	193740.6	65.85
2023	315361	127603.0	40.46	187758	59.54

Source: Prepared by the researcher based on: World Bank statistics, various years, https://data.albankaldawli.org

It is noted from Table (1) that oil revenues constituted (24.97%) of total revenues in 2004, while non-oil revenues constituted (75.03%), which indicates a relatively balanced dependence between oil revenues and other revenues, with a clear tendency towards diversifying revenue sources. Oil revenues witnessed a noticeable increase to reach (34%) in 2008 of total revenues, as a result of the rise in global oil prices during that period, which provided a strong boost to the Malaysian treasury, to witness a rapid decline in 2009, as the contribution of oil revenues reached (17.41%) as a result of the global financial crisis and the decline in oil prices in global markets, despite the level of total revenues remaining close to previous years. The Malaysian government has since begun, as is clear from the data, to follow an austerity policy and diversification of revenues, represented by strengthening non-oil sources of income such as tax collection, service fees, and customs revenues, as the contribution of oil revenues decreased to (9.68%) in 2015, which is one of the lowest levels during the period. This decline is attributed to a sharp decline in global oil prices, which prompted the government to accelerate the implementation of the Goods and Services Tax (GST) to boost non-oil revenues. This decline continued in the years 2016 and 2017, as non-oil revenues maintained their dominance at more than (87%) of total revenues, while oil revenues remained at low levels, not exceeding (12.42%), which reflects the ability of public finances to reduce dependence on oil resources and shift towards sustainable sources. In the years (2018-2020), the contribution of oil revenues to total revenues witnessed a noticeable decline and reached its lowest levels ever at (3.77%) in 2020, due to the (Covid-19) crisis, the global economic downturn, and the decline in demand for oil. In contrast, non-oil revenues maintained their relative stability at more than (96%), as the years witnessed (2021-2023) A significant improvement in the percentage of oil revenues' contribution to total revenues, as its contribution rose to (11.92), then to (34.15) in 2022, before reaching the highest percentage during the period in 2023 at (40.46%), as a result of the economic recovery and the rise in oil prices starting from 2021, the contribution of non-oil revenues decreased to (59.54%), which reflects a temporary return to relative dependence on oil in financing the public treasury, under the influence of international market conditions.

Second: The reality and challenges of the oil sector and its role in supporting the gross domestic product in Malaysia for the period (2004-2023)

Table*(2)*

Contribution of the petroleum sector to Malaysia's GDP for the period (2004-2023)

year	Gross Domestic Product (GDP) Million Ringgit	Growth rate %	Oil sector million ringgit	Oil sector contribution%
2004	*474048*	-	26600.6	*5.61*
2005	*543578*	14.67	38536.6	7.09
2006	*569784*	4.82	39992.1	7.02
2007	*665340*	16.77	39226.2	5.90
2008	*769949*	15.72	54867.5	7.13
2009	*712857*	-7.42	28008.3	3.93
2010	*821434*	15.23	38073.6	4.64
2011	*911733*	10.99	49978.4	5.48
2012	*971252*	6.53	47587.3	4.90
2013	*1018610*	4.88	44279.6	4.35
2014	*1106440*	8.62	42658.0	3.86
2015	*1176940*	6.37	21953.3	1.87
2016	*1249700*	6.18	19117	1.53
2017	*1372310*	9.81	28531.9	2.08
2018	*1447760*	5.50	39282.0	2.71
2019	*1512740*	4.49	27686.2	1.83
2020	*1418490*	-6.23	9724.6	0.69
2021	*1548700*	9.18	28582.9	1.85
2022	*1793900*	15.83	30242.2	1.69
2023	*1822900*	1.62	*32516.7*	1.78

Source: Prepared by the researcher based on: World Bank statistics, various years, https://data.albankaldawli.org

It is noted from Table (2) that the contribution of the oil sector to the gross domestic product in Malaysia witnessed fluctuations during the period (2004-2023), as the contribution of the oil sector reached (5.61%) in 2004, recording a slight increase until it reached its peak in 2008, reaching (7.13%), which is the highest contribution percentage during the study period, as a result of the rise in global oil prices during the period (2004-2008), as the price of a barrel exceeded $140, which was reflected in an increase in the revenues of the oil sector, which was reflected in an increase in oil production to reach (54867.5) million ringgit in 2008, so that the contribution of the oil sector took a general trend of decline during the period (2009-2016) to reach (3.93%) in 2009 and (1.53%) in 2016, for several reasons, the most important of which is the diversity of the Malaysian economy and the increased reliance on other sectors such as the manufacturing industry, services, and technology, as well as Global oil prices declined from around $110 to less than $50 at the end of 2016. The years 2017-2018 witnessed relative stability, with the oil sector's contribution to GDP declining between 2.08% in 2017 and 2.71% in 2018. The period 2019-2023 witnessed a significant decline in the relative contribution of oil to GDP, reaching 1.78% in 2023. This is a result of continued government support for alternative sectors, the promotion of innovation and services, increased support for environmentally friendly energy, and reduced support for conventional energy. This was reflected in the weakening role of oil in the economy. Furthermore, there is the rapid growth of non-oil sectors, such as Islamic banking, tourism, and higher education. The figure below illustrates the contribution of the Malaysian oil sector to GDP for the period 2004-2023.

Third: The reality and challenges of the agricultural sector and its role in contributing to Malaysia's GDP for the period (2004-2023).

Table ()
Contribution of the agricultural sector to Malaysia's GDP for the period (2004-2023)

Years	Gross Domestic Product Million Ringgit	Growth Rate%	Agricultural Sector Million Ringgit	Agricultural Sector % Contribution
2004	474048	-	43949	9.27
2005	543578	14.67	44912	8.26
2006	569784	4.82	51383	9.02
2007	665340	16.77	66446	9.99
2008	769949	15.72	76753	9.97
2009	712857	-7.42	65719	9.22
2010	821434	15.23	82882	10.09
2011	911733	10.99	104424	11.45
2012	971252	6.53	95122	9.79
2013	1018610	4.88	92830	9.11
2014	1106440	8.62	98177	8.87
2015	1176940	6.37	97539	8.29
2016	1249700	6.18	105756	8.46
2017	1372310	9.81	108757	7.93
2018	1447760	5.50	109542	7.57
2019	1512740	4.49	115834	7.66
2020	1418490	-6.23	148152	10.44
2021	1548700	9.18	160567	10.37
2022	1793900	15.83	141930	7.91
2023	1822900	1.62	127418	6.99

Source: Prepared by the researcher based on:
-World Bank statistics, various years, https://data.albankaldawli.org

It is noted from Table (3) that the agricultural sector in 2004 witnessed a strong contribution of (9.27%), reflecting Malaysia's reliance on agriculture as a traditional source of income (such as palm oil and rubber). The year 2005 witnessed a decrease in the contribution to (8.26%) despite the increase in agricultural output, due to the rapid growth in other sectors, especially industry and services. The contribution rate of the agricultural sector recorded an increase for the years (2006 and 2007) to reach (9.02% and 9.99%), which reflects clear growth of the agricultural sector thanks to the rise in global agricultural commodity prices and the increase in palm oil production. Despite the global crisis in 2008, demand for Malaysian agricultural products remained high, so the contribution rate of the agricultural sector reached (9.97%) in 2008. The year 2009 witnessed a decrease in the GDP due to the repercussions of the financial crisis, which raised the contribution rate of the agricultural sector relatively to (9.22%) despite the decline in its absolute value. The contribution rate of the sector rose significantly for the years (2010 and 2011) to reach (10.09% and 11.45%), as a result of the economic recovery and government support for agriculture within the post-crisis stimulus plans, and the rise in palm oil exports, which represents the peak in contribution, driven by a historically high palm oil price and an expansion in agricultural exports. As for the years (2012-2023), the contribution of the agricultural sector to the GDP showed a clear downward trend, indicating a decrease in the relative weight of agriculture in the Malaysian economy, with the notable exception of the years (2020 and 2021), the period witnessed a sudden increase in the percentage of agricultural contribution to reach (10.37%) in 2021, due to the economic effects of the health crisis (Covid-19), which was reflected in a reduction in the productivity of the industrial and service sectors, which relatively increased the contribution of agriculture despite the lack of a huge jump in its nominal value. The figure below can be used to illustrate the size of the agricultural sector's contribution to supporting the GDP in Malaysia for the period (2004-2023.(

Fourth: The reality and challenges of the industrial sector and its role in supporting the gross domestic product in the UAE for the period (2004-2023).

Table (4)
(Contribution of the industrial sector to Malaysia's GDP for the period (2004-2023

Years	Gross Domestic Product Million Ringgit	Growth Rate%	Industrial Sector Million Ringgit	Industrial Sector Contribution%
2004	474048		140379.7	29.61
2005	543578	14.67	147658.4	27.16
2006	569784	4.82	158607.8	27.84
2007	665340	16.77	172900.4	25.99
2008	769949	15.72	171692.1	22.30
2009	712857	-7.42	157407.4	22.08
2010	821434	15.23	167803.3	20.43

2011	911733	10.99	176869.7	19.40
2012	971252	6.53	184663.9	19.01
2013	1018610	4.88	190957.8	18.75
2014	1106440	8.62	202607.3	18.31
2015	1176940	6.37	212339.5	18.04
2016	1249700	6.18	221670.8	17.74
2017	1372310	9.81	235061.1	17.13
2018	1447760	5.50	246714.6	17.04
2019	1512740	4.49	255978.5	16.92
2020	1418490	-6.23	248973.6	17.55
2021	1548700	9.18	272524.7	17.60
2022	1793900	15.83	294672.1	16.43
2023	1822900	1.62	296730.8	16.28

Source: Prepared by the researcher based on:
- World Bank statistics, various years, https://data.albankaldawli.org

Table (4) shows the development of the value of the gross domestic product and the contribution of the industrial sector. The gross domestic product witnessed a remarkable growth during the period (2004-2023), as it rose from (474,048) million ringgit in 2004 to (1,822,900) million ringgit in 2023. In contrast, the value of the industrial sector rose from (140,379.7) million ringgit to (296,730.8) million ringgit during the same period, which reflects a quantitative growth in the performance of the industrial sector, so that the percentage of the industrial sector's contribution to the GDP reached (29.61%) in 2004, then declined clearly, and gradually decreased until it reached (22.08%) in 2009, during the global financial crisis. Despite the decline in the GDP by (-7.42%), the contribution of the industrial sector remained almost stable at (22.08%), which indicates the relative flexibility of the sector at that stage, so that the percentage of the sector's contribution continued It gradually decreased to (16.92%) in 2019, as a result of several economic and structural factors, including the expansion of the service and technology sectors, as well as the transformations in the structure of the Malaysian economy towards diversification and away from traditional manufacturing. The contribution of the industrial sector increased slightly in 2020 to (17.55%), despite the decline in the GDP by (-6.23%). This was attributed to the state's focus on essential industries during that period, such as the medical and food industries, coinciding with the (Covid-19) pandemic. The contribution of the industrial sector to the GDP reached (17.60%) in 2021, as a result of the government adopting incentive policies for the industrial sector with the aim of reviving the economy after the pandemic, which temporarily raised its contribution, for the contribution rate to decline again for the years (2022 and 2023). The figure below illustrates the contribution of the Malaysian industrial sector to the GDP for the period (2004-2023).

Fifth: The reality and challenges of the services sector and its role in supporting the gross domestic product in Malaysia for the period (2004-2023).

Table (5)

Contribution of the services sector to Malaysia's GDP for the period (2004-2023)

Years	Gross Domestic Product Million Ringgit	Growth Rate%	Services Sector Million Ringgit	Services Sector %Contribution
2004	474048		211177	44.55
2005	543578	14.67	240246	44.20
2006	569784	4.82	262145	46.01
2007	665340	16.77	296211	44.52
2008	769949	15.72	338378	43.95
2009	712857	-7.42	348131	48.84
2010	821434	15.23	398210	48.48
2011	911733	10.99	435505	47.77
2012	971252	6.53	476131	49.02
2013	1018610	4.88	508744	49.94
2014	1106440	8.62	554579	50.12
2015	1176940	6.37	612174	52.01
2016	1249700	6.18	656484	52.53
2017	1372310	9.81	711982	51.88
2018	1447760	5.50	767183	52.99
2019	1512740	4.49	819220	54.15
2020	1418490	-6.23	777171	54.79
2021	1548700	9.18	799934	51.65
2022	1793900	15.83	913200	50.91
2023	1822900	1.62	973804	53.42

- Source: Prepared by the researcher based on
- World Bank statistics, for various years : https://data.albankaldawli.org

It is noted from Table (5) that the services sector in Malaysia witnessed a remarkable development during the period (2004-2023), as its contribution to the GDP increased gradually, both in absolute value and percentage terms, reaching about (211,177) million ringgit in 2004, and the sector's contribution reached about (44.55%) of the GDP. The contribution rate decreased slightly in 2007 to reach (44.52%), and in 2008 it witnessed a slight decline to (43.95%), as a result of the repercussions of the global financial crisis, which directly affected services related to trade and tourism. However, these declines were temporary, as the sector returned to strong growth in the following years. In 2009, despite the general contraction in the economy and the decline in the GDP by (-7.42%), the services sector achieved an increase in its contribution to reach (48.84%) in 2009, which reflects the sector's ability to confront crises compared to In other sectors such as industry and agriculture, it continued to rise during the years (2010-2020), as the contribution rate exceeded the (50%) barrier since 2014, reaching (52.01%) in 2015, and rose to its highest levels in 2020 at (54.79%), at the height of the Covid-19 pandemic, when the economy relied heavily on health services, digital services, and delivery services. Despite this growth, the sector witnessed some relative decline after the pandemic, as its contribution decreased to (51.65%) in 2021, as a result of the recovery of other productive sectors at a relatively faster pace. Then the contribution stabilized at (50.91%) in 2022, before rising again to (53.42%) in 2023, which indicates that the service sector remains the main driver of economic activity in Malaysia.

The third requirement: The private sector experience in Malaysia for the period (2004-2023)

First: The contribution of the public and private sectors to Malaysia's GDP

Table (6)

Contribution of the public and private sectors to the GDP in Malaysia

Year	GDP Million Ringgit	Public Sector Million Ringgit	Private Sector Million Ringgit	Relative Importance of Public Sector%	Relative Importance % of Private Sector
2004	*474048*	56885.7	417162.3	12.00	88.00
2005	*543578*	67947.2	475630.8	12.50	87.50
2006	*569784*	74071.9	495712.1	13.00	87.00
2007	*665340*	93147.6	572192.4	14.00	86.00
2008	*769949*	115492.4	654456.6	15.00	85.00
2009	*712857*	99799.9	613057.1	14.00	86.00
2010	*821434*	106786.4	714647.6	13.00	87.00
2011	*911733*	118525.3	793207.7	13.00	87.00
2012	*971252*	116550.2	854701.8	12.00	88.00
2013	*1018610*	142605.4	876004.6	14.00	86.00
2014	*1106440*	138305	968135	12.50	87.50
2015	*1176940*	153002.2	1023938	13.00	87.00
2016	*1249700*	164960.4	1084740	13.20	86.80
2017	*1372310*	175655.7	1196654	12.80	87.20
2018	*1447760*	180970	1266790	12.50	87.50
2019	*1512740*	192118	1320622	12.70	87.30
2020	*1418490*	198588.6	1219901	14.00	86.00
2021	*1548700*	209074.5	1339626	13.50	86.50
2022	*1793900*	233207	1560693	13.00	87.00
2023	*1822900*	233331.2	1589569	12.80	87.20

- Source: Prepared by the researcher based on
- World Bank statistics, for various years : https://data.albankaldawli.org
- Ministry of Economy, The Malaysian Economy in Figures, Different years ، www.epu.gov.my

It is noted from Table (6) that the Malaysian GDP witnessed a clear growth during the period (2004-2023), as it reached (474,048) million ringgit in 2004, driven primarily by an active role of the private sector, while the public sector maintained a supportive and stable role, as the public sector's contribution reached (12.00%) for the same year, while the private sector recorded (88%). This distribution indicates from the beginning that growth in Malaysia is led by market forces, with limited government intervention. The period (2005-2008) witnessed a slight increase in the public sector's contribution to the GDP, as the percentage reached (15.00%) in 2008, which is its highest percentage during the period. It seems that this increase came as a government response to stimulate the economy in the face of the global financial crisis, at a time when private sector activities declined relatively, reflecting an expansion in public spending without changing the control equation that remained in the hands of the private sector, so that the private sector constituted a percentage of (85.00%) for the same year, and with the continued repercussions of the global financial crisis, the GDP declined significantly in 2009, but the public sector's contribution remained high at 14%, so that the economy recovered in the years (2010-2012), as the public sector's contribution began to gradually decline, reaching (12%) again, with the growth of the private sector's activity, which reached (88.00%) in 2012. This indicates the state's desire to reduce its intervention and leave room for the private sector to lead the recovery phase. As for 2013, the public sector's contribution rose again to reach 14%, as a result of expansionary financial policies and development projects led by the government. As for the years (2014-2019), the Malaysian economy witnessed remarkable and continuous growth, with the GDP reaching (1,249,700) million ringgit in 2016, and the public sector's contribution stabilized at levels ranging between 12.5% and 13.2%, while it maintained The private sector, as the main driving force of the economy, witnessed a significant decline in the gross domestic product (GDP) for the first time in more than a decade, due to the repercussions of the Covid-19 pandemic in 2020, which prompted the state to intervene more, and the public sector's contribution rose again to 14%, while the private sector's contribution declined as a result of the closures and the impact on the markets. However, this intervention did not last long. With the beginning of the recovery in 2021 and thereafter, the GDP began to rise again, and with it the public sector's contribution gradually decreased until it reached 12.8% in 2023, which reflects the return of things to normal, which gives the private sector a greater role. The figure below shows the contribution of the public and private sectors to the GDP in Malaysia for the period (2004-2023).

Section Three

Conclusions and Recommendations

Finally, several conclusions and recommendations were reached, the most important of which are:

First: Conclusions

1. Malaysia has adopted a development policy based on diversifying sources of income and reducing dependence on oil by developing non-oil sectors such as tourism, services, industry, technology, and renewable energy.
2. The Malaysia thrive in an attractive investment environment, supported by strong financial reserves, large sovereign wealth funds, advanced infrastructure, and a strategic location, enhancing their status as a global economic hub.
3. The Malaysia has achieved significant progress in urban development while preserving its cultural heritage, demonstrating a balance between modernity and authenticity.
4. The Malaysia have maintained a level of economic stability despite fluctuations in oil prices and external crises, as a result of their adoption of economic diversification policies and financial reserves, reflecting their ability to withstand shocks.
5. Malaysia has been able to transform from an economy dependent on the export of primary resources such as rubber and tin to a diversified economy encompassing the industrial, service, and technology sectors. The Malaysian private sector has played a key role in this transformation, by boosting investment, increasing productivity, and contributing to job creation. This has helped the country reduce its dependence on natural resources and strengthen its economic resilience in the face of global crises.

Second: Recommendations

1 .Continued development of the technology, renewable energy, and non-oil industries sectors should be pursued to enhance economic sustainability and further reduce dependence on oil.

2 .Adopting more effective strategies to create job opportunities in the private sector, reduce bureaucracy, and stimulate entrepreneurship to support employment and develop national skills.

3 .Supporting scientific research, adopting modern technology, and stimulating innovation to enhance global competitiveness and achieve sustainable development.

4 .Investing in education and vocational training to develop national competencies capable of competing in global markets and supporting new sectors.

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