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MAHATHIR SPELLS OUT MALAYSIA'S ECONOMIC STRATEGY

(EMBARGOED: For release at 1800 hrs. today)

Mahathir-economy

From Abdul Rahman Sulaiman (P) OT.

LONDON, Sept 21 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today outlined four economic thrusts which Malaysia will be pursuing to achieve its target of being an industrialised nation.

They are:

- + to broaden and deepen the country's industrial base;
- + to encourage more capital-intensive and technologically sophisticated industries;
- + to promote the development of intermediate and capital goods industries; and
- + to promote industrial linkages between foreign and local companies.

In his keynote address to about 250 British captains of industry and business leaders at an investment seminar organised by the Malaysian Industrial Development Authority (MIDA) here, the Prime Minister said a broader industrial base was necessary to sustain Malaysia's industrialisation momentum and her industrial competitiveness. -- more

▼21/09/10-16MST

R GE 21-09 00157 EA282

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In this respect, he said, Malaysia would work towards increasing the value-added contents of her resource-based industries and go far beyond the production of basic components in the electronics field.

He said that with easily trainable, educated and relatively low-cost labour and an unemployment rate of around five per cent, the government felt that the country could now shift into the less labour-intensive, high-technology industries which promised higher added value and productivity.

Five key technology areas had been identified for the building of competence and developing niche areas for the domestic industries, namely automated manufacturing technology, advanced materials, bio-technology, electronics and information technology, he added.

On the development of intermediate and capital goods industries, Dr Mahathir said with the rapid pace of industrialisation, Malaysia's requirements for them had increased significantly. Most of these were all this while imported. -- more

▼21/09/10-18MST

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In order to reduce future imports of such goods, the manufacture of industrial machinery and parts, machine tools and related engineering industries were being encouraged.

The Prime Minister said the government was also concerned with the lack of integration in the industrial sector where the Free Trade Zones had become export processing enclaves of imported raw and semi-finished products.

As such, he said, there was little linkage with the domestic sector, particularly the small and medium-scale sector.

The government now wished to promote industrial linkages which could contribute to greater domestic value-added.

Through these, the small Malaysian firms could benefit from the transfer of technology and skills, product upgrading and market access, he added.

On Malaysia's impressive economic performance over the past few years, Dr Mahathir told the seminar that private investment in the manufacturing sector had been the primary driving force behind it. -- more

▼21/09/10-21MST

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He said following an aggressive export-led industrialisation strategy, the manufacturing sector averaged a growth of 15.8 per cent per annum during the period 1988 to 1991.

The contribution of the manufacturing sector to the country's Gross Domestic Product (GDP) had also risen, from 24.3 per cent in 1988 to 28.1 per cent in 1991.

The prospects for 1992 were equally encouraging with a growth forecast of 14.5 per cent for the sector, which would account for about 30.2 per cent of GDP.

The manufacturing sector, expected to grow at 10.5 per cent per annum over the next 10 years, was expected to raise its share of the GDP to 37.2 per cent by the year 2000.

This would pave the way to making Malaysia an industrial economy, he said.

The Prime Minister said manufacturing exports were projected to account for about 81.8 per cent of the total exports by the end of the decade. At present, it was 64 per cent. -- more

▼21/09/10-24MST

CNS4669

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Dr Mahathir said to realise the rapid expansion envisaged for the manufacturing sector during the 1990s, a high growth of manufacturing investment would have to be sustained.

It had been estimated that to achieve the targeted growth rate of 11 per cent per annum in this sector for the period 1991-1995, the total investment required would be M\$80 billion.

This was about 36.5 per cent higher than the approved investment during the previous five years.

Of this, M\$33 billion or 41 per cent was expected to come from foreign sources and the balance from domestic sources.

He added that the Malaysian government, therefore, recognised the critical role of foreign direct investment in maintaining the growth momentum of the Malaysian economy.

In this respect, the government was committed to creating an environment that would provide foreign investors with opportunities for increased investment, growth and profit. -- more

▼21/09/10-26MST

CNS4670

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He said Malaysia's efforts in attracting foreign investment to the manufacturing sector had been fairly successful.

Between 1988 and 1991, total approved foreign investment amounted to M\$47.1 billion and this represented 60.7 per cent of the total proposed capital investment of M\$77.6 billion in all the projects approved during the period.

For the first eight months of this year alone, approved foreign investment in manufacturing projects totalled M\$13.23 billion.

This constituted about 78.5 per cent of the total approved investment in all sectors and underscored the attractiveness of the Malaysian business environment, he added. -- Bernama

▼21/09/10-28MST