

Dr M: High-tech industries needed

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PENANG, Tues. — Datuk Seri Dr Mahathir Mohamad said Malaysia's efforts to attract foreign investments would face competition from other countries with the same intention.

The Prime Minister said this would then pose a challenge for the officials involved in investment promotion because other countries were also competing for capital.

The Prime Minister said the exercise would inevitably become more difficult as Malaysia not only had to compete with the less developed countries and the newly industrialised countries but also with the developed countries which were taking strong measures to retain investors in their countries.

Therefore, Dr Mahathir said, the country's focus must be on higher value-added capital intensive and technologically sophisticated industries.

He said that these industries would help to strengthen the industrial linkages and to ensure that Malaysia developed even greater export capabilities.

Dr Mahathir said this at the opening of Otis Manufacturing Sdn Bhd's plant in Bukit Tengah industrial estate near here.

The Prime Minister said Malaysia was especially proud of Otis' confidence in this country because Otis is the largest manufacturer of elevators and escalators.

"I hope the choice of Penang as the site for its factory was not due to Penang being 'more Chinese' as reported in the *Economist* sometime in May this year.

"The foreign Press, as we know have always been 'naughty' when reporting about Malaysia's success story. I am sure Malaysia was chosen mainly because of its political stability," he said.

He said that as more countries joined the ranks of trading nations, Malaysia's ability to maintain and expand its markets amid greater competition worldwide would hinge upon its competitiveness.

"Malaysia's excellent performance should not lull us into complacency but should make Malaysians strive to be more competitive in the future," Dr Mahathir said, adding that he was aware that certain inherent weaknesses such as productivity levels and technical skills must be addressed.

He said the environment is now more conducive for more American investors to embark on joint ventures with the locals following the recent reduction of the corporate tax.

He said the corporate tax had been reduced from 34 per cent to 32 per cent, effective from the year of assessment 1994 and would be further reduced to 30 per cent effective from the year of assessment 1995.

Therefore, he said Malaysia was hopeful that more American investors would come forward and form alliances with Malaysian investors.

"Our company income tax rate will be comparable to that of neighbouring countries.

"The 1994 Budget also carries several new incentives pertaining to high-tech and R&D operations that should encourage more inflows of

foreign direct investments."

The Prime Minister said that Malaysia had enjoyed seven consecutive years of sustained rapid growth and next year was also expected to be another boom year.

Real gross domestic product is expected to touch 8.2 per cent, which will be higher than the estimated eight per cent this year.

"Macro-economic measures taken by the Government to sustain growth and prevent inflation in the last two years have borne results beyond expectations.

"The fundamentals are now firmly emplaced to help the economy continue its path of sustained expansion in the future, with the manufacturing sector playing the lead role in the transformation of the economy.

"The manufacturing sector continued to be the dominant source of growth in the economy this year. Its contribution to real GDP is expected to increase further this year."

Owing to the strong external demand and good growth in the domestic market, he said the value-added in the manufacturing sector was expected to expand at a faster rate of 11.6 per cent this year compared to 10.5 per cent last year.

In particular the export-oriented industry registered a creditable growth of 15.9 per cent in the first seven months of this year.

Despite a population of only 19 million, Malaysia is the 16th biggest trading nation in the world.

Overall, the Prime Minister said exports to the US rose by 34 per cent last year. Malaysia's exports to the US amounted to US\$8.18 billion (RM20.45 billion).

In terms of projects with

the US, he said 41 in the manufacturing sector with a proposed capital investment of US\$1.28 billion (RM3.3 billion) were approved last year.

These projects accounted for 18.5 per cent of the proposed total foreign investment in all projects approved last year.

For the first 10 months of this year, 22 projects with American interests were approved with a proposed capital investment of US\$652 million (RM1.68 billion)..

He said these projects accounted for 27.7 per cent of the proposed total foreign investment of RM6.07 billion in all the projects approved during the same period, making the United States the largest foreign investor in Malaysia to date this year.

This was followed by Japan (RM1.5 billion), Taiwan (RM836 million), and the United Kingdom (RM467 million).

Dr Mahathir said it was also interesting to note that interest in the investments was not just shown by new projects alone.

"This is because of the 22 projects granted for approval, eight were approvals for expansion of their existing capacities or for diversification of their existing products.

"This fact testifies to the growing confidence of US investors in Malaysia's investment climate," he said.

Dr Mahathir said a climate of uncertainty was never good for any business, but for Malaysia its greatest assets were both its political stability and consistency of Government policies.