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IMP: RM250 BLN INVESTMENTS NEEDED UNDER IMP2

KUALA LUMPUR, Nov 28 (Bernama) -- Some RM250 billion in investments are needed under the second Industrial Master Plan (IMP2) to achieve Malaysia's growth targets for the manufacturing sector during the plan period 1996 to 2005.

The Ministry of International Trade and Industry (MITI), the agency entrusted with producing the bold and ambitious plan, said it aims to deepen the nation's economic foundation and enable it to achieve global competitiveness.

It is also premised on the economy growing in excess of eight percent between 1996 and 2000 and at 7.7 percent in the second half (2001-2005), with the current account of the balance of payments expected to improve from a deficit of 8.8 percent of Gross National Product (GNP) in 1995 to a surplus of about 1.3 percent in the year 2000.

It also takes into account Malaysia's obligation to further liberalise its economy under the World Trade Organisation (WTO) by undertaking a comprehensive review of the Promotion of Investments Act (PIA), 1986.

"The successful implementation of the IMP2 will be one of the important variables required in the transformation of Malaysia into a fully developed nation as envisaged under Vision 2020," the ministry said in the 453-page IMP2 launched by Prime Minister Datuk Seri Dr Mahathir Mohamad here today.

Eight key industrial groups have been identified for further development: electrical and electronics; textiles and apparel; resource-based; agro-based and food products; transportation; materials; and machinery and equipment industry groups.

Accounting for 76 percent of the value-added in the manufacturing sector, these groups would employ the cluster-based development approach by further strengthening industrial linkages both in terms of depth and breadth and at all levels of the value chain, ultimately contributing 98.9 percent of the value-added in 2005.

"Sustaining higher economic growth over the next decade will require moving away from traditional industry-based planning to that based on cluster development," the ministry said.

Cluster development entails the strengthening of economic linkages, both inter and intra-sectoral, through the further development and expansion of intermediate and supporting industries as well as to address the issue of high imports of intermediate and capital goods.

And, a vital strategy under cluster development is the "Manufacturing ++ (Manufacturing plus-plus) orientation, which emphasises full integration of manufacturing operations through the value-chain in order to enhance industrial linkages, increase productivity and competitiveness.

On investments in manufacturing, the ministry said 60 percent would be domestic investments and 40 percent foreign with the aim, ultimately, to help Malaysia achieve global competitiveness.

In the first half (1996-2000), investments would total RM110 billion and thereafter rise to RM140 billion till the year 2005, it added.

Among the IMP2 targets was for manufacturing's share of the Gross Domestic Product (GDP), at 33.1 percent last year, to increase to 37.5 percent in 2000 and to 38.4 percent by end-2005.

This means the sector would grow by an average of 10.7 percent per annum between 1996 and 2000, consistent with the 10.5 percent forecast under the Second Outline Perspective Plan (OPP2) and 10.7 percent in the

Seventh Malaysia Plan.

Building on the success of the first IMP (1986-1995), which focussed on an export-led industrialisation strategy, the second plan would undertake development through the cluster-based approach.

The IMP2 will be a rolling plan, whereby its targets will be closely monitored and revised on a periodic basis to accommodate the dynamic changes in the domestic and global economies.

The ministry said the IMP2, which ends in 2005, will coincide with the mid-term review of Vision 2020, a timely period to review the targets for the next phase of industrial development.

But it stressed that technology assumes an important role under the IMP2, demanding total commitment from the public and private sectors to transform Malaysian manufacturing firms into competitive, efficient and information-intensive production system, with the first initiative involving efforts to promote the adoption of "Best Manufacturing Practices."

Special emphasis would continue to be focussed on the further development of small and medium scale industries (SMIs), so that they become an effective backbone to the nation's industrialisation drive.

In implementing the IMP2, an institutional framework was crucial, whereby a MITI-chaired Industrial Coordination Council will be set up to provide leadership, policy guidance and decision making with direct involvement of the private sector.

It would be served by a secretariat set up to focus on implementation, monitoring and reviewing the progress and achievement of the plan while a built-in review mechanism for setting new targets and policies through the rolling plan has also been identified.

An effective institutional framework calls for active private sector participation, flexibility and urgency, inter-agency collaboration and leadership support and decision-making to be effective.

More than that, under the IMP2, the government would review the role, functions and structure of MITI, the Malaysian Industrial Development Authority (MIDA) and the Malaysian External Trade Development Corporation (MATRADE).

The aim is that they should be more proactive in industrial policy formulation and implementation, effective in investment and trade promotion and enhance coordination in the development, acquisition and transfer of technology and the development of the required human resources for the manufacturing sector.

All this is vital in strengthening Malaysia so that it can ably face head-on the challenges of the international marketplace which is getting even more competitive by the day as countries jostle for a greater share of the global market. -- BERNAMA

MR LDB