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Further boost to export industries (HL)

Kamarul Yunus in Tokyo

TOKYO, Fri: Malaysia, which has been shifting away from labour-intensive industries, is opening up again to foreign investments in such industries provided the products are for export.

The Government will also allow more foreign workers to come in and work if its export-oriented industries need a bigger workforce, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

The policy reversal on labour-intensive industries and foreign worker dependence is to help Malaysia deal with its economic problem by means of boosting exports and attracting more foreign direct investment (FDI).

Addressing a Malaysia-Japan business leaders' dialogue here, the Prime Minister said with government efforts hindered by the currency and stock market turmoil, new FDI are urgently needed.

"Malaysia is trying to manage the difficult economic situation. We think we may be able to manage but we need new FDIs more urgently," he said.

Dr Mahathir arrived here last night for a two-day working visit after attending the leaders' meeting of Asia-Pacific Economic Cooperation forum in Vancouver, Canada.

Under its policy of shifting away from labour-intensive industries to capital-intensive and high-technology industries, Malaysia had hoped to reduce dependence on foreign workers while increasing the income of trained Malaysians through high-technology and capital-intensive industries.

"However, we have decided to call a halt to this policy. We will now allow labour-intensive industries, provided the products are for export," he added.

The Government, however, will continue to promote high-tech and capital-intensive industries.

Dr Mahathir said Malaysia has some 1.7 million foreign workers but will now allow a "gradual increase" if export-oriented industries require a bigger workforce.

Under the Second Industrial Master Plan (1996-2000), export industries identified include electrical and electronics, transportation, materials and advanced materials, machinery and equipment, resource-based, and agro-based and food products.

In inviting Japanese and other foreign investors to continue to invest in the country, the Prime Minister said they can take advantage of the situation to produce goods and services in Malaysia at lower costs.

"They would either earn more profit or become more competitive in the world market. As you know, investors have always found Malaysia a good manufacturing centre because of its efficiency and lower costs. Now the costs will be even much lower."

Their every need will be seen too, Dr Mahathir said. "Bureaucratic processes will be reduced to the barest minimum. All the existing tax incentives and privileges will be continued. A business-friendly Government will make itself readily available even at the highest level to resolve any problem that may arise."

He said the Government has always been FDI-friendly and has been promoting FDI since the early 1960s because it believes that the policy can and will contribute substantially to the rapid development of the economy.

"This policy will continue to play a key role in our efforts to become a

fully industrialised society by 2020," he added.

In the manufacturing sector, for example, FDI has been on the increase and, from 1991 to end-October this year, has amounted to US\$34.78 billion (US\$1 = RM3.48).

During the period, Japan was the largest investor with approved investment of US\$7.39 billion, or 21.2 per cent of the total.

Other important investors were the US (US\$5.92 billion, or 17 per cent), Taiwan (US\$4.66 billion, or 13.4 per cent), Singapore (US\$3.93 billion, or 11.3 per cent), South Korea (US\$1.74 billion, or 5 per cent) and France (US\$1.71 billion, or 4.9 per cent).

The six countries accounted for US\$25.35 billion, or 72.8 per cent, of the total approved foreign investment. The high level of investment reflects continued investor confidence in Malaysia's economic potential, he added.

Some 40 Japanese prominent leaders participated in the dialogue, which was also attended by Economic Adviser to the Government Tun Daim Zainuddin and Malaysian Ambassador to Japan Tan Sri H.M. Khatib.

Earlier, Dr Mahathir met members of the Wisemen Club which comprises Japan's former industry captains.

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