# Blue print for development

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More than 5,000 corporations from 40 countries cannot be wrong. They selected Malaysia as a base for their operations and have been rewarded handsomely. According to Peter Tan, Chief Executive of Flextronics, "Malaysia is one of the most cost-effective places for manufacturing in the world with overall costs about 20 per cent lower than Shanghai". He should know: Flextronics has some 40 per cent of its capacity in China.

While investors have numerous choices of where to put their money, Malaysia clearly offers them advantages even in the increasingly competitive global environment. The country offers a cost effective location, stable prices and a business friendly setting. Located within the ASEAN region, which is among the fastest growing in the world, it offers access to 550 million consumers as well as to 2.3 billion in the rapidly growing Chinese and Indian markets.

Malaysia has been transformed from a primary commodity producer in the 1960s to a major manufacturing base. Today, electrical and electronic products account for 54 per cent of total exports and 57 per cent of total Gross Domestic Product (GDP). Even Dell chose Malaysia to set up its technology and development center, which will perform high technology activities including process design and software development. A combination of a first-class infrastructure, a skilled workforce and a competitive package of incentives convinced Dell that Cyberjaya, a township in the Multimedia Supercorridor, dubbed the "Silicon Valley" of Malaysia, was a better option than Ireland, India or the Philippines.

As Malaysia diversifies and moves up the ladder of development, there are even more opportunities for investors and entrepreneurs. The government continues to adapt to changes and challenges. With regular feedback from the business and investing community it has formulated new policies and strategies to cater to the needs of the nation and that of investors – foreign and local.

Claude Smadja, a former Managing Director of the Geneva based World Economic Forum, said "We are impressed by the depth of (the government's) understanding of the challenges".

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The Third Industrial Master Plan (IMP3) (2006-2020), unveiled in August by the Prime Minister Datuk Seri Abdullah Ahmad Badawi, builds on the structural changes that are taking place both at home and in the region. The emergence of new and rapidly growing economies such as India and China, which offer both a challenge and an opportunity, have been taken into account in drawing up the IMP3 and the Ninth Malaysia Plan (2006-2010).

Professor Peter Nolan, director of Cambridge University's Chinese Big Business Programme at the Judge Institute of Management, comments "We feel the path Malaysia is choosing will make Malaysia more competitive in the future".

Malaysia habours aspirations to become a fully developed nation by 2020 and the IMP3 calls for an aggressive move up the value chain for a more productive, value added and knowledge intensive industrial sector. It responds to the increased competition and challenges of globalisation, regionalisation and technological development and maps out the government's strategy on three pillars of the economy – manufacturing, services and agriculture.

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>
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The IMP3 also identifies new sources of growth, including a number of targeted sectors. These include business and professional services, integrated logistics, ICT, education and training, health and tourism. Its emphasis includes undertaking progressive liberalisation to promote competitiveness, creating stronger linkages between the manufacturing sector and related services, encouraging collaborations with foreign service providers, and promoting outsourcing activities.

The plan, according to Zainal Aznam, an advisor to the IMP3, deals with past performance, raises the major issues of industrialisation, looks at future prospects, lays targets and elaborates on the growth opportunities of manufacturing industries and services. Malaysia even remains competitive and cost effective compared to China, once land and labour productivity is taken into account. Deutsche Bank research last year ranked Malaysia among the top five growth centers in the emerging markets while the US-based Employment Conditions Abroad International Limited, ranked Malaysia among the five least expensive countries in the world.

But the government is conscious of the need to keep pace with increased technological inputs and requirements of businesses. As Zainal pointed out, the importance of high technology industries in non-resource based industries has become more prominent, and this will be further intensified under the plan.

The Total Factor Productivity contribution to the growth of manufacturing is targeted at 43.2 per cent during the IMP3 period, higher than the overall economy at 41.4 per cent.

The blue print for industrial development, which responds to challenges, changes and increased competitiveness, is a living document and goes into much greater detail on the future prospects and offers a fresh look up to 2020.

## IMP3 Action Plan

- Economy targeted to grow 6.3 per cent per annum during the 15-year IMP3 period
- Overall financing requirements of RM1.3 trillion or US$22.9 billion annually
- Services, agriculture and manufacturing - the 3 pillars of growth
- Total trade to expand three-fold to RM2.8 trillion by 2020
- Exports targeted to increase 2.7 times to RM1.4 trillion in 2020
- Employment to increase by an average 1.9 per cent from 10.9 million in 2005 to 12 million by 2020
- Tourist arrivals to increase from 17.5 million in 2006 to 24.6 million by 2020
- Regulations to be reviewed to cut red tape and cost

*Source: Third Industrial Master Plan*