

# Malaysia Planning to Be Fully Developed by 2020

**M**alaysia is strategically located in the heart of Southeast Asia – one of the world's faster growing regions. Situated between the Indian Ocean and the South China Sea, and at the southernmost tip of the Asian Continent, this dynamic young nation is well serviced by all major air and shipping lines. This easy access to the rest of the world has today made Malaysia an attractive center for trade, investment and tourism.

Peninsular Malaysia stretches from Thailand in the north to Singapore in the south, while the states of Sabah and Sarawak straddle the northern and western coasts of Borneo. About four-fifths of Malaysia's land area of 330,000 km<sup>2</sup> is covered by tropical rain forests, while major land-uses include the cultivation of rice, rubber and oil palm.

Malaysia lies in the equatorial zone where no seasons mark the passing of the months. The days are generally warm and sunny with temperatures averaging 26°C. The wet north-east and south-west monsoons which blow from Oct. till March and from May till Sept. respectively, influence the climate in Malaysia, especially along the coastal areas.

Malaysia's cosmopolitan population of 18.6 million is a unique mix of some of the world's oldest civilizations – the Malay, Chinese and Indian civilizations. This has blessed the nation with a rich cultural heritage and has made Malaysia an outstanding example of a harmonious, multi-religion, multi-racial society.

In Peninsular Malaysia, the main races are the Malays, the Chinese and the Indians. In Sabah and Sarawak, the Kadazans and the Ibans are the largest ethnic groups respectively. Islam is the official religion, while Buddhism, Christianity, Hinduism and other religions are widely practised in the country.

Although Bahasa Malaysia is the national language, English is widely used in commerce and industry. Other major languages spoken include various Chinese dialects and Tamil.

Malaysia has a young population – 42% of the country's population falls within the 15 to 39 age group. With most

Malaysian youths having at least 11 years of school education, the nation has the advantage of a young, educated and highly productive work force.

The country's total labor force was estimated at about 7.5 million in 1992. The services sector was the biggest employer, providing 46.1% of total employment. Other sectors were agriculture (26%), manufacturing (20.5%) and construction (6.8%).

In a steadily expanding economy, Malaysians enjoy a high standard of living. Per capita income in 1992 was RM7.54 (US\$3,000), while inflation was kept relatively low at 4.7%.

Malaysia gained independence from Britain in 1957 through peaceful negotiations. This amicability has set the tone for Malaysian politics over the last 36 years. Consensus has traditionally guided the nation's course of events, resulting in a high degree of political stability.

**M**alaysia is made up of 13 states and the federal territories of Kuala Lumpur and Labuan. Nine of the states have sovereign monarchs or sultans. Every five years, a unique system of rotation allows the nine sultans to elect a king, the Yang di-Pertuan Agong, from among themselves.

Malaysia has practised democracy as a constitutional monarchy since independence. A federal form of government exists with a bicameral parliament consisting of a Senate and a House of Representatives. Elections to the House of Representatives, a fully elected body of 180 members, are held every five years on the basis of universal adult suffrage, each constituency returning one member. The 70 members of the Senate are appointed by the King and the State Legislatures.

The Barisan Nasional, the ruling coalition representing the multi-racial composition of the country, commands a two-thirds majority in Parliament. This has ensured Malaysia a strong, stable government committed to the development of the country.

The government's confidence in its position and the acceptance of its policies is seen in its ability to plan ahead,

not only through Malaysia's series of five-year development plans, but also through long-term policies into the 21st Century such as the Second Outline Perspective Plan (1991-2000).

Vision 2020, the government's vision for Malaysia to become a fully developed nation by the year 2020 in every sense of the word – economically, politically, socially, spiritually, psychologically and culturally – is currently the country's most far-sighted goal.

Most important to investors in Malaysia is that the government's policy parameters are laid out and the way ahead is clearly charted, thereby providing investors with a high degree of certainty for their future planning.

Malaysia aspires to become a fully developed country by 2020. Priorities have been set and the development path mapped out by the government to make sure the objectives of Vision 2020 are met.

The manufacturing sector is expected to spearhead the drive to fulfill this vision. The challenge will be for the private and public sectors to work together to establish a strong national entrepreneurial base that will carry the nation forward into the 21st Century. The main thrusts would be to:

- Develop a strong science and technology base to enhance industrial competence and competitiveness;
- Develop indigenous technology by increasing the nation's capability to adopt, adapt and improve technology through R&D;
- Develop a pool of skilled manpower capable of handling new and emerging technologies;
- Ensure that environmental conservation and protection are built into the overall economic development process; and
- Develop a positive culture based on integrity, discipline and diligence to equip Malaysians for high productivity and commitment to quality.

**O**ver the last two decades or so, Malaysia has transformed itself from an economy largely dependent on agriculture for economic survival into a thriving and vibrant economy –

thanks to a dynamic and progressive industrialization program.

For the period between 1971-1990, the Malaysian economy registered an average growth rate of 6.7% per annum and in the last six years, 1988-1993, growth was especially impressive with the economy expanding at an average rate of 8.7% per annum. This year, real Gross Domestic Product (GDP) growth is forecast at 8.4%, comparable to the 8.5% recorded last year. And in the first quarter of this year, the economy recorded a strong 8.6% growth rate.

Economic growth in the country is expected to continue to be spearheaded by the manufacturing sector. In fact, under both the Sixth Malaysia Plan (1991-1995) and the Outline Perspective Plan (1991-2000), which are the medium

and long-term development plans of the country, the manufacturing sector has been targeted to grow at a rate of 11.5% and 10.5% respectively.

The sector's share of GDP is expected to increase from 27% in 1990 to 32.5% by 1995 and 37.2% by the year 2000. It's contribution to total exports is also expected to increase from 60.4% in 1990 to 75% in 1995 and 81.8% in 2000.

Following an aggressive export-led industrialization strategy, the Malaysian manufacturing sector grew at an average rate of 13.4% between 1989-1993. This year the sector is expected to maintain the growth rate of 13% it achieved last year. This would then represent the seventh consecutive year of double-digit growth registered by the manufacturing sector. As a result its contribution to the

country's GDP rose steadily from 26.8% in 1990 to 30.1% in 1993. It's contribution to exports too has been showing an upward trend, from 59.2% in 1990 to 71% in 1993.

Currently, Malaysia ranks as the world's largest producer of rubber gloves, catheters and rubber threads; second largest producer of room air-conditioners; third largest producer of semi-conductors and a leading producer of audio-visual equipment.

In fact, Malaysia is today recognized as one of the top 20 trading nations of the world. The 1993 General Assembly on Tariffs and Trade (GATT) Report ranked Malaysia as the 19th largest importer and exporter, an improvement from its position of the 22nd on the list in 1992.

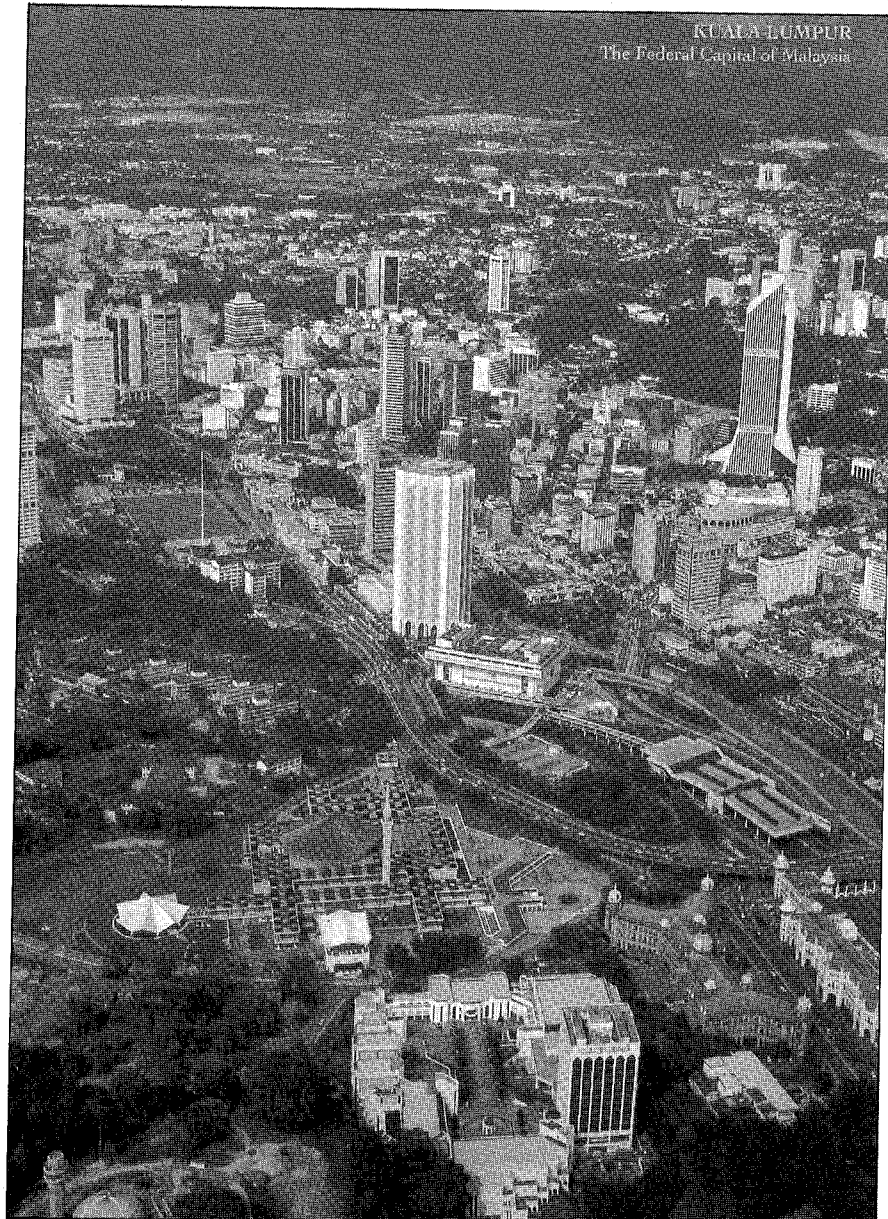
A key factor that has contributed to Malaysia's rapid industrial growth has been the flow of technology and capital from both industrialized as well as newly industrializing countries. This inflow is expected to continue to play an important role in Malaysia's industrial development efforts.

Malaysia ranks high among investors as an attractive location for their offshore operations. The country's economic and political stability, good infrastructure facilities and attractive fiscal incentives are but some of the factors that have continued to attract foreign direct investments into the country.

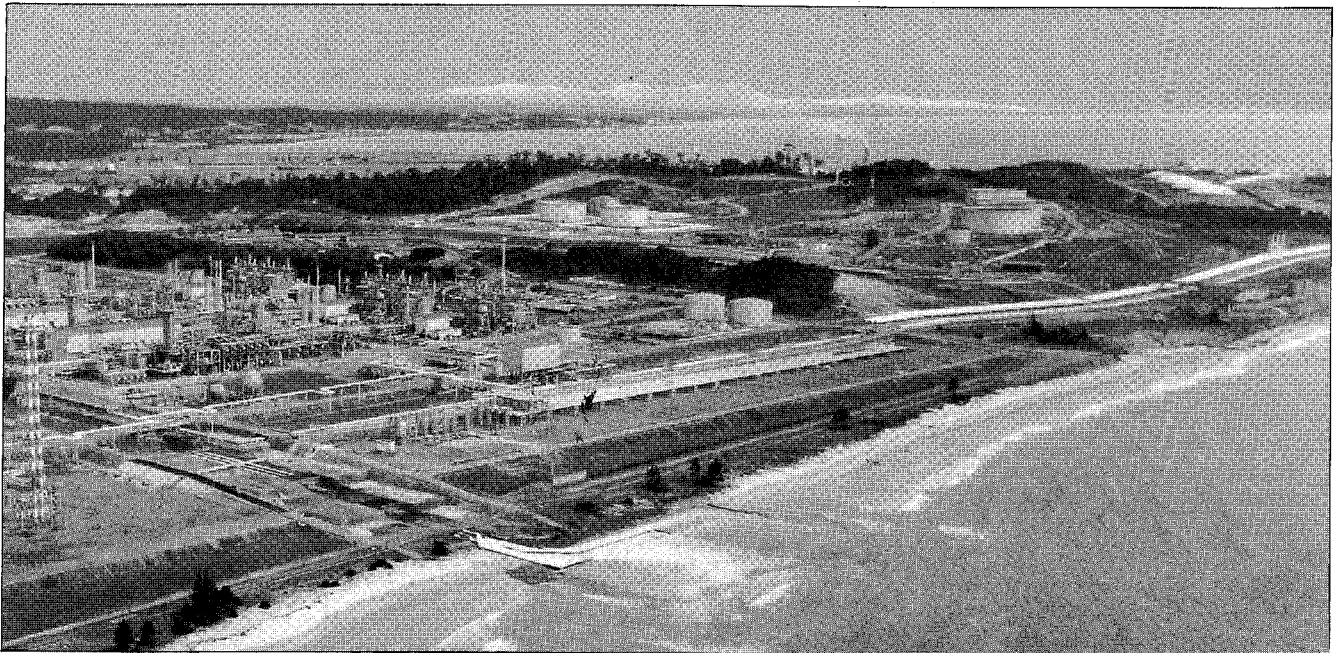
It's attractiveness as a profitable investment location was further authenticated when the Geneva based World Economic Forum, in the 1993 World Competiveness Report, ranked Malaysia as the fourth most competitive country among industrializing countries, after Singapore, Taiwan and Hong Kong. Among Malaysia's strong points as cited by the Report are its domestic economic strength, financial facilities, international trade policies, stable government and management development.

**M**alaysia's success in attracting foreign investment is apparent from the number of projects with foreign investments that have been approved over the years. Between 1988 – June 1994, a total of 5,328 projects involving proposed capital investment amounting to RM132.3 billion have been approved in the manufacturing sector. Of this total, RM76.9 billion or 58.1% was accounted for by foreign investment.

During this period too, the largest source of foreign investment was Japan with investments totalling RM17.6 billion or 22.9% of total foreign investments approved. Other major sources of foreign investment were Taiwan (21.1%), the United States (11.3%), Singapore (6.2%) and France (6.1%).



**Kuala Lumpur: The Federal Capital of Malaysia.** Kuala Lumpur is the base for the regional center for arbitration, a non-profit administering agency whose main function is to serve the needs of international organizations and business communities in the Asian and Australian region for reliable international arbitration in settling commercial disputes.



Industrial estate in Malaysia — Petroleum Refinery

Having outgrown the era of labor intensive industries, the current thrust of our industrial development strategy is to promote new sources of growth in order to strengthen and diversify further the country's industrial base. This new approach emphasizes the development of export-oriented, high value added, high technology industries with strong support from domestic R & D.

To sustain a conducive environment in which competitive industries can grow and prosper, Malaysia is upgrading the areas of human resources development, infrastructure, technology and R & D, industrial parks and the small and medium industry (SMI) sector. Alongside encouraging foreign direct investment, the Government is also promoting the development of an indigenous industrial base for long-term sustainable industrialization.

Broadly, the following have been

identified as industries which offer potential for growth:

- (1) Industrial of New and Emerging Technologies. To date, six areas of "new and emerging technologies" have been identified by the Government and these include automated or advanced manufacturing technology (AMT), advanced materials, advanced electronics, biotechnology, information technology and aerospace.
- (2) Manufacture of industrial machinery and parts, machine tools and related engineering products.
- (3) Manufacture of precision products, e.g. musical instruments, photographic and optical goods, watches and clocks.
- (4) Ancillary and supporting industries that will provide the necessary components and services to the established larger industries. This

sector covers a wide range of industries ranging from the mould and dye industry to the component parts industry.

- (5) Agro-based industries such as the cultivation of fruits and vegetables and the breeding, rearing or culture of livestock and aquatic products. Malaysia, with a large agriculture sector, also provides growth potential in the establishment and development of food industries. The setting up of an integrated operation in the agro-based sector offers good potential for investment.
- (6) Resource-based industries, that is, industries which would utilize Malaysia's resources such as rubber, timber, palm oil, cocoa, oil and gas, silica and clay to manufacture higher value-added products. ★