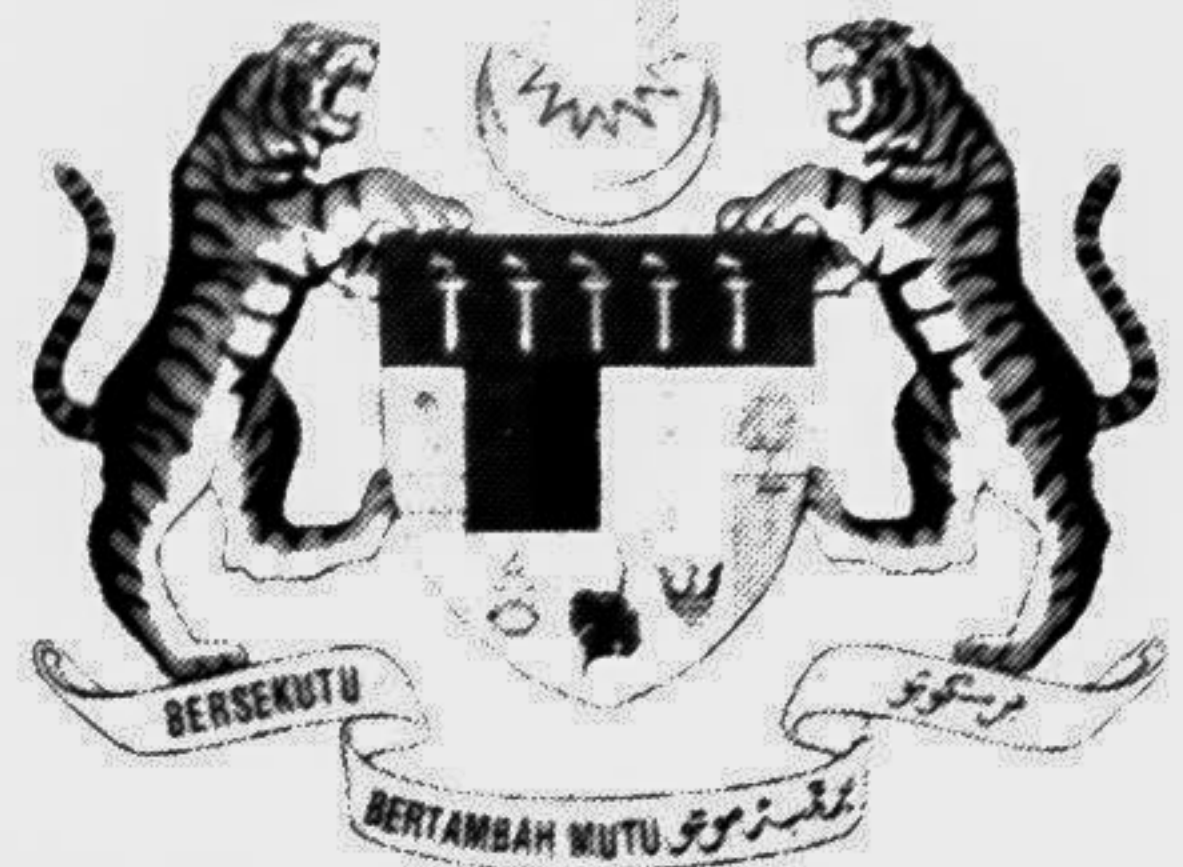


National Day of Malaysia



The Daily Star

August 31, 1997

Special Supplement

Industrial Development in Malaysia

FROM pre-independence till the late 60's, the Malaysian economy was based on primary commodities such as rubber and tin. The constant fluctuation in the prices of the primary commodities had adverse effects on the Malaysian economy. It soon became apparent that the terms of trade were no longer in Malaysia's favour and the country had to diversify her economic base. The manufacturing sector was identified as the key sector for development.

Industrialisation during the 60s was relatively on a small scale, with the establishment of import substitution industries such as food and beverages, tobacco, printing and publishing, chemicals and plastics. By the late 60's, the limited domestic market had placed constraints on rapid industrial development and with the increasing number of school leavers entering the labour market, Malaysia experienced a growing unemployment rate. To alleviate these problems and with the instability of our export earnings from primary products, a strategic shift in strategy was needed. The government decided on an export-oriented industrialisation strategy.

Towards this end, a package of attractive incentives and facilities was provided. This included the establishment of free zones, tax incentives based on labour utilisation, infrastructural development and provision of other amenities. Intensive promotion campaigns were carried out in order to attract multinationals to invest in labour intensive industries, particularly the electronics and textiles industries. With this, the 70s witnessed the influx of investments primarily in electronics and textiles, utilising Malaysia's labour force, free zones and the host of other amenities provided by the government.

In the 1980s, Malaysia's First Industrial Master Plan (First IMP) was launched. The First IMP emphasised the continuation of the export-led industrialisation strategy and the need for further diversification of the manufacturing sector. The IMP had focused on the development of the resource-based and non-based resource industries and had provided the framework for the development of a broad based manufacturing sector. Twelve industrial sub-sectors, comprising seven resource-based industries and five non-resource based industries were identified for development over the Plan period. The resource-based industries were rubber products, palm oil products, wood-based products, chemical and petrochemicals, non-ferrous metal products, processed food and non metallic mineral products. The non-resource based industries were electrical and electronic products, transport equipment, machinery and engineering products, ferrous metal, textiles and apparel.

Following the further liberalisation of foreign investment policies, intensification of promotional efforts and favourable external factors in the late 80s, foreign direct investment (FDI) flows into the manufacturing sector increased significantly. It was during this period that the first national car, PROTON, was launched. By the end of the Plan period in 1995, the performance of the manufacturing sector had far exceeded original targets set out in the Plan and Malaysia was a leading exporter of electronic products such as semiconductors and latex-based products such as gloves, catheters and rubber threads.

FDI has played a major role in the development of the manufacturing sector. Approved investments in the manufacturing sector have grown considerably over the years. For the period 1980-1996, a total of 11,680 projects involving a total investment of RM232.9 billion was approved. Of these approvals, RM119.6 billion or 51.4% was foreign direct investment and RM113.3 billion or 48.6% was local. These approvals generated a total of 1,674,881 new jobs. The major sources of foreign direct investment were from Japan, Taiwan, United States of America, Singapore, France, Republic of Korea and Australia.

The creditable performance of the Malaysian economy has been mainly a result of our successful industrialisation drive, with an unprecedented growth in the output of the manufacturing sector particularly since 1987. In 1996 the sector had registered a double-digit growth of 12.8%. With this growth, the sector's share to GDP had increased to 34.5% in 1996 from 33.1% in 1995.

Today the unemployment rate stands at 2.6% which means technical full employment. In this connection, Malaysia's next phase of industrial development, the Second Industrial Master Plan (IMP2), 1996-2005, was launched on 28 November 1996 by Prime Minister Dato's Seri Dr Mahathir Mohamad. This heralded the beginning of a new industrial era for the country during a decade where the world economy will be increasingly globalised and which will be marked with greater economic liberalisation and keener competition. The launching of the IMP2 is a testimony of our efforts to propel Malaysia to a higher plane of industrialisation.

The 2-prong strategy of the Second IMP will be towards creating a Manufacturing Plus-Plus economy and a cluster based development approach. Under the manufacturing Plus-Plus strategy, industries will be encouraged to move along the value chain and encompass a whole range of value added activities to include research and development, design and prototyping, product development,

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Hon'ble Dato' Seri Dr Mahathir Mohamad
Prime Minister of Malaysia

PETRONAS — Forging Towards a Global Vision

PETRONAS, the acronym for Petroleum Nasional Berhad is the national oil and gas company of Malaysia, wholly owned by the Malaysian government. Incorporated on 17 August 1974, it is vested with the entire ownership and control of the country's oil and gas resources under the Petroleum Development Act 1974. Since its establishment, PETRONAS has diversified from its upstream oil and gas exploration activities into the downstream oil refining; gas processing, liquefaction and transmission; petrochemical manufacturing; marketing; and transportation activities. Today, PETRONAS has grown to become a fully integrated oil and gas company, expanding its upstream and downstream activities into the international arena to forge towards its vision of becoming "A Leading Oil and Gas Multinational of Choice."

Domestic Activities
Exploration and Production: In the upstream sector, PETRONAS' efforts are concentrated on sustaining and enhancing Malaysia's reserves

base which currently stands at 4.0 billion barrels of oil and 80.2 trillion standard cubic feet of gas. Its upstream activities include the exploration for and production of crude oil and natural gas. PETRONAS manages these activities by engaging a number of international oil and gas companies to participate in the exploration, development and production of oil and gas in Malaysia through the production sharing contracts (PSCs). The PSCs provide for the recovery of cost by the PS Contractors and the sharing of crude oil and natural gas production between PETRONAS and the PS Contractors. Besides operating the PSC through multinationals, PETRONAS is also involved in exploration, development and production of oil and gas through its wholly-owned subsidiary PETRONAS Carigali Sdn. Bhd.

Refining and Marketing: Downstream, PETRONAS is involved in refining activities which are carried out at its two refineries at Kertih and Melaka in Peninsular Malaysia. The two refineries currently have a combined capacity of 140,000 barrels per day.

In the domestic market, PETRONAS sells a wide range of petroleum products produced by its refineries, including fuel oil, diesel, motor gasoline, aviation fuel, lubricants, liquefied petroleum gas (LPG) and kerosene through an expanding nationwide marketing and distribution network. PETRONAS also exports its crude oil and petroleum products to overseas market.

Gas and Petrochemicals: To add value to the nation's abundant gas resources, PETRONAS has embarked on various world scale gas and petrochemical projects. It is implementing the multi-phase Peninsular Gas Utilisation (PGU) project to spearhead the development of the gas industry in Malaysia. Started in 1984, the PGU project which is scheduled for completion by the end of the decade comprises a trans-peninsular gas transmission pipeline system linked to PETRONAS gas processing plants (GPPs) and re-

lated facilities to supply gas to the power, industrial and commercial sectors of the country.

PETRONAS has also introduced the Natural Gas for Vehicles (NGV) through some of its retail stations for the transportation sector to further enhance the utilisation of gas. It will also be introducing the Gas District Cooling (GDC) system which uses natural gas as an energy source to produce chilled water for air conditioning and co-generation. The Kuala Lumpur City Centre and the new Kuala Lumpur International Airport at Sepang will be the first users of the GDC system.

The implementation of the PGU project has opened an exciting new business area for PETRONAS — gas-based petrochemical manufacturing. PETRONAS' petrochemical projects, mostly undertaken on a joint venture basis include a methanol plant, a methyl tertiary butyl ether (MTBE)/propylene and polypropylene integrated plant, an ethylene and polyethylene integrated plant, an ethylbenzene/styrene monomer plant, two fertiliser plants, a vinyl chloride monomer plant, an aromatic plant, an acrylic monomer plant and acetic acid plant. More new projects are being planned, in line with the objective to turn Malaysia into a regional petrochemical centre.

Liquefied Natural Gas: In Bintulu, Sarawak, PETRONAS operates two joint venture liquefied natural gas (LNG) plants with a combined capacity of 16 million tonnes per annum (mtpa) of LNG which is wholly committed to public and private energy companies in Japan, South Korea and Taiwan under long term supply contracts. Plans are underway to construct a third LNG plant to utilise newly discovered gas reserves offshore Sarawak. Scheduled for completion by the year 2001, the new plant will boost the country's LNG production capacity to 23 mtpa, making the Bintulu complex the world's largest LNG producer at a single location.

To support its growing LNG

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MESSAGE

Assalamualaikum Warahmatullahi Wabarakatuh.

On this auspicious occasion of the National Day of Malaysia, I would like to extend on behalf of the government and the people of Malaysia my sincere best wishes to the government and people of the People's Republic of Bangladesh.

This year marks the 40th anniversary of Malaysia's independence. Looking back on the progress of the nation, it can easily be said that Malaysia has undergone significant changes since its independence 40 years ago. From being the world's largest producer of tin and rubber, Malaysia is today a rapidly industrialising country in its own right. The transition did not happen overnight, as major changes to the mindset of the people and the course of the economy had to be made.

The various policies adopted by the government since independence have no doubt greatly contributed to the economic success of the country. In that short period of time, the government has managed to bring peace, stability and harmony in the country and embarked on economic development programmes which have brought progress, prosperity and much improved standard of living for Malaysians. The export-led industrialisation strategy in particular has resulted in the positive growth rates and the manufacturing sector has played a significant role for this growth. This sector, which was still in its infancy in the early 80's, represented 22.4 per cent of the total exports. In 1996, this figure stood at 78.5 per cent, reflecting the positive commitment of the government and its people to strive for full industrialisation by the year 2020.

Today Malaysia is moving ahead with greater vigour and confidence to meet the objectives of Vision 2020 as enunciated by Prime Minister Dato' Seri Dr Mahathir Mohamad to turn Malaysia into a fully developed nation by the year 2020. This Vision among others envisaged the creation of a prosperous society with a viable and strong economy, a tolerant and caring society with good ethics and morality.

1997 also marks yet another milestone in Malaysia-Bangladesh relations. Many links of friendship and excellent relations exist between Malaysia and Bangladesh. The bilateral relations between the two countries have grown from strength to strength during the last 25 years into a solid partnership based on mutual understanding and respect. Over the years, Malaysia and Bangladesh have built an impressive network of cooperation covering many fields. Steady progress has been achieved in diverse fields. There are several trends in respect of expanding bilateral trade and economic cooperation between the two countries. In this regard, businessmen of both countries are showing increased interest to explore new market potentials.

In the economic arena, we are very happy to view the increasing interest of Malaysian entrepreneurs in Bangladesh. There has been a considerable increase of Malaysian investments in Bangladesh. The awareness among the Malaysian business circles would no doubt pave the way for more trade and commercial relations, promoting the existing potentialities of both countries and encouraging direct contacts and visits between our businessmen. There is a growing level of trade and commercial transactions between the two countries and a growing number of trade missions in both directions.

Many of the leading Malaysian companies are represented in Bangladesh. Malaysian investors have made their presence felt with the inauguration of the 'AKTEL' Cellular Phone Network Service of TM International (Bangladesh) Limited, which is a joint-venture between Telekom Malaysia

Berhad and Bangladesh Private Sector and assembly plants which are in operation in Chittagong's Export Processing Zone (CEPZ). Other joint venture proposals, including those in the field of telecommunication, power, oil and gas, infrastructure development, manufacturing as well as in the general trading, services sector and relocation of labour intensive industries, are in various stages of negotiations and implementation. We hope that such promising initiatives and joint-venture efforts would promote greater cooperation between Malaysia and Bangladesh. Together we are currently exploring all possible means to further enhance the already existing economic and trade relations between our two nations.

Collaborative efforts in the field of culture, education, agriculture, administrative and technical training continue to be actively pursued by both sides within the framework of the Joint Commission (JCM) established at the ministerial level by the two governments as a vehicle to identify possible avenues of productive ventures. In line with the emphasis put forward by Dato' Seri Dr Mahathir Mohamad on "South-South Cooperation", it is earnestly hoped that such cooperation could be strengthened further for greater collaboration among the developing countries.

I am confident that the deep and enduring bond of friendship and cooperation between Bangladesh and Malaysia will continue to flourish in the coming years. Malaysia would do its utmost to further strengthen the excellent relationship and cooperation with Bangladesh. Malaysia also offers a profound congratulations to H E Prime Minister Sheikh Hasina Wajed and her government, as she strives to bring a new era of stability, harmony and economic developments for the betterment of the people of Bangladesh.

It is in that spirit of friendship and mutually beneficial cooperation, I have the privilege to greet you all on our National Day.

Long Live Malaysia-Bangladesh Friendship.
Wassalamualaikum Warahmatullahi Wabarakatuh.



Dato' Zulkifly bin Abdul Rahman
High Commissioner of Malaysia to Bangladesh

The New Multimedia Corridors of Power Beckon

Malaysia is wooing IT giants from the US and Japan to assist in the building of the country's new information technology zone. It is project to rival California's Silicon Valley and supersede anything that Europe can offer. It also offers an important business opportunity for Telekom Malaysia and a plethora of equipment suppliers. William Comet reports.

Malaysia is planning an extraordinary initiative to move up to the very top table in the global market for information technology and telecommunications.

Mahathir Mohamad, the Islamic country's prime minister and one of the world's most trenchant critics of the Western Media, has turned international salesperson to win investors for a special project to help his country compete with Hong Kong, Indonesia, Thailand, Singapore and others of the so-called "Asian Tigers".

On a hectic week-long trip to California's Silicon Valley in January — during the month of Ramadan, when Muslims neither eat nor drink during daylight — Mahathir averaged almost a dozen presentations a day to the heads of the world's leading IT companies, including Microsoft, IBM and Compaq.

A few days later, he was in Japan doing a similar sales job with NTT and the country's other leading telecoms and IT companies.

Mahathir's aim is the creation of a \$20 billion Multimedia Super Corridor (MSC) — a new Silicon Valley covering 750 square kilometres near the country's capital. This will transform Malaysia from being primarily an assembler of low and medium-technology electronics goods for multinational corporations into a player in its own right in the global market for information technology and telecommunications.

The plan is audacious and the hurdles Mahathir faces are substantial. But no matter what the final outcome, a number of companies are already staring to profit from it.

"Many of the wealthier, developed countries," Mahathir

told a group of business leaders in Tokyo in January, "are locked into obsolete industrial systems and legislative frameworks. This project will accelerate our nation's economic development and create exciting opportunities that our international partners cannot pursue elsewhere."

The urgency of the project — billed as Mahathir's own vision for the future of Malaysia — is highlighted by the fact that Singapore, a far less populous country but a far greater hub for telecoms traffic, is forging ahead with its own strategy for wooing corporations to its so-called "intelligent island."

"The reason for the MSC's birth," explains telecoms consultant Uthaya Kumar, "is that Malaysia and the prime minister decided that for us to maintain our competitive advantage, being linked to manufacturing and commodity business would not suffice."

"To achieve Vision 2020 —

2020 being the year fixed for us to reach developed status, then we have to move to information technology," says Kumar, head of management consulting at the entertainment, media and communications practice of Price Waterhouse in Malaysia.

The planned zone will stretch south from Kuala Lumpur to include at least four major infrastructure projects already planned by the Malaysian authorities. These should be a major factor in driving the zone's development.

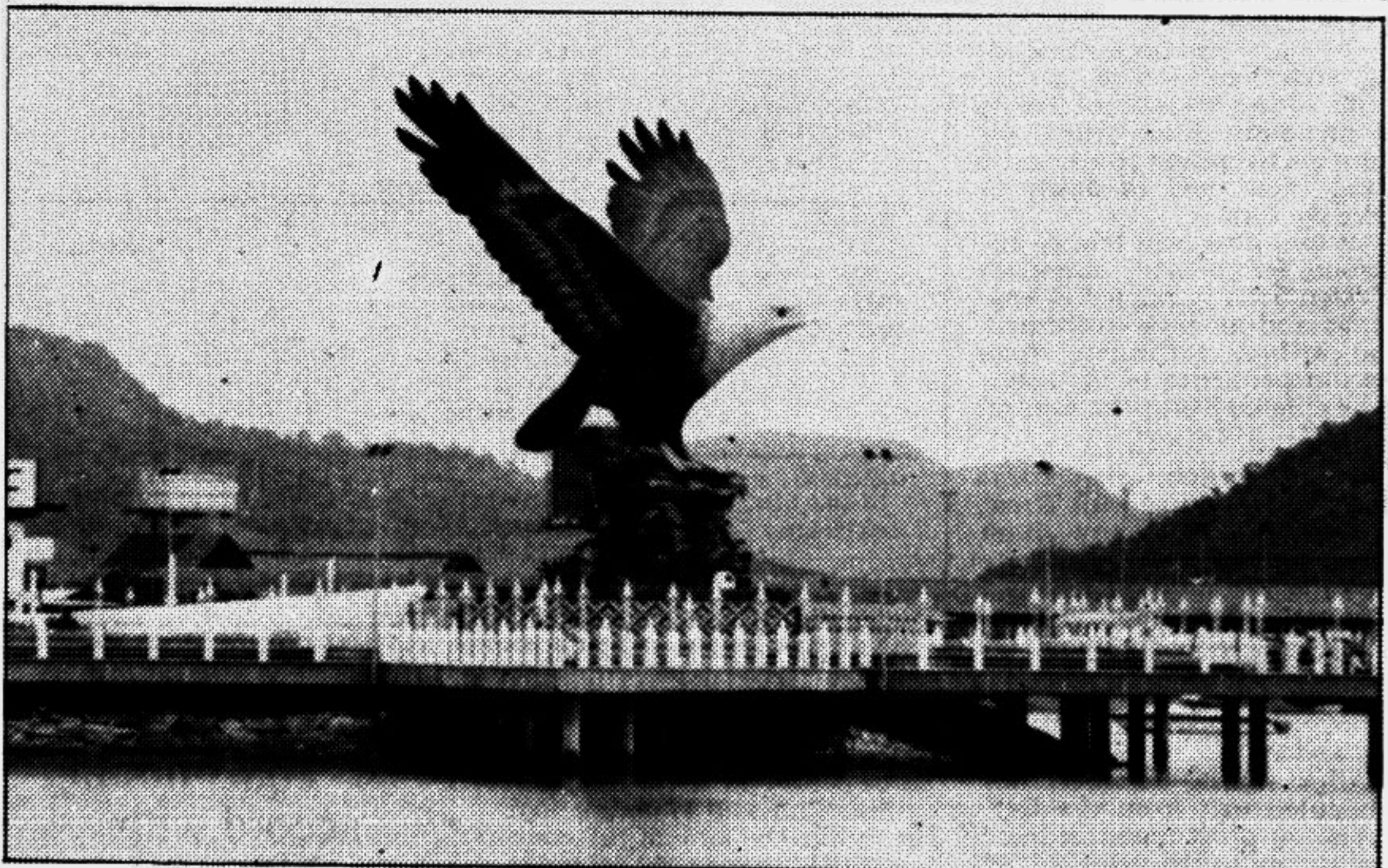
These complexes, which have either recently been built or are nearly complete, are the Petronas Twin Towers, the world's tallest complex at 452 metres (1,482 feet), built at an estimated cost of M\$2 billion (\$800 million) and situated in the Kuala Lumpur city centre; the Kuala Lumpur International Airport, due to be completed in January 1998 at a cost of M\$9 billion; the new high-tech city of Cyberjaya, which will house a multimedia university; the city of Putrajaya, designed to be a new, high-tech paperless capital city and federal administrative centre to which the government will move in late 1998.

By drawing in a host of ven-

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Incentives for investing in Malaysia's Multimedia Super Corridor

Investing corporations will have the guarantee of: a world class physical and information infrastructure; unrestricted employment of local and experienced foreign IT professionals; freedom of ownership: foreign companies can own 100% of their Malaysian projects; freedom to source capital globally; competitive financial incentives such as a 10-year tax holiday; new information property and cyber laws; no Internet censorship; globally competitive telecoms tariffs; tenders for key MSC infrastructure contracts will go to leading companies willing to use the MSC as their regional hub.



A symbolic landmark of Langkawi Island

FRIM: Technology Opportunities in Sustainable Forest-based Industry

MALAYSIA is one of the few remaining countries in the world with a large expanse of natural tropical forest. Land-use policies ensure preservation of these forests to conserve biological diversity and a continuous and perpetual supply of raw material for forest-based industries. More than 80 years of research have resulted in effective guidelines sustainably to manage this precious resource for present and future needs. For example the management of Malaysia's natural forests based on the unique Malayan Uniform System is internationally known. In wood utilization, the Malaysian Grading Rules for swan hardwood timber have been widely adopted in the international timber trade.

The Forest Research Institute Malaysia (FRIM) has played a pivotal role in developing these guidelines. FRIM now has a comprehensive body of knowledge and database on the

forest resources, with details on the properties and use of most timber and non-timber species. This, plus FRIM's pool of expertise and a comprehensive range of facilities, are available to promote the continued growth of the forest-based industry in the country.

In the traditional wood-based processing industries which rely on timber extracted from the managed natural forests and at the same time avoid disruption to raw material supply. In this connection, FRIM has identified suitable exotic and indigenous tree species and improved planting materials for plantation establishment are now available. Coupled with tax incentives, opportunities for private investment into long-term forest tree plantation establishment and related timber processing and manufacture of value-added wood products are attractive.

Thanks to early research,

rubberwood, formerly a neglected non-traditional wood resource from the country's large rubber estate sector, has propelled the local furniture industry to unprecedented levels. With improvements to the processing technology, the growth prospects in the rubberwood-based furniture industry are high. FRIM's R&D on similar residues from Malaysia's big palm oil estate sector has shown that the oil palm fibre is a suitable substitute in the new and growing wood panel and board manufacturing industry and thus offer another investment opportunity.

Finally, the rich biological diversity of the forest provides investment opportunities in by-products for the pharmaceutical and technical industries, for which FRIM's information based current research can well facilitate investment, especially from established multinational corporations.



Putra World Trade Centre