

## CHAPTER XVII

# Manufacturing

### I. INTRODUCTION

1005. Manufacturing will continue to play a strategic role in the achievement of the goals of the New Economic Policy (NEP). Under the Third Malaysia Plan (TMP), the sector will register the fastest rate of expansion thereby becoming progressively more important in the generation of income and employment in the country. The rapid expansion of this sector is essential for the achievement of the NEP objectives and for correcting present imbalances among States and regions.

### II. PROGRESS, 1971-75

#### Growth of output and employment

1006. During the Second Malaysia Plan (SMP) period, value added in the manufacturing sector grew by 10.9% per annum in real terms as compared to the target of 12.5%, while the share of the manufacturing sector in the Gross Domestic Product (GDP) rose from 12.2% in 1970 to 14.4% in 1975. The contribution of the major industries to the growth of value added in the manufacturing sector in Peninsular Malaysia were: rubber processing and rubber products (31.0%); food manufacturing (28.4%); ferrous and non-ferrous products (5.8%); chemical and chemical products (5.6%); and wood products (5.0%). Other industries of importance in the sector included beverages and tobacco, textiles, paper and paper products, petroleum products, non-metallic mineral products, industrial and electrical machinery and transport equipment.

1007. The output of manufactured *food products* increased by 11.5% per annum during 1971-75. While there were marked increases for most items in the group, the output of canned pineapple fell significantly. This was due to the decline in exports arising from the phased imposition of the Common External Tariff on canned pineapple by the European Economic Community (EEC). The *beverages and tobacco products* industry grew by 7.9% per annum during 1971-75. The beverages industry reached its peak in 1974 but showed a decline in 1975.

1008. Value added by the *textiles and clothing* industry, including leather and footwear, grew by 14.5% per annum despite the effects of the global recession in 1975. Production expanded as a result of the imposition of a ban on certain imported fabrics and the granting of duty exemptions on raw materials imports.

1009. Although value added in the *wood and paper products* industries expanded by 9.2% per annum during 1971-75, production and exports were constrained by fiscal and monetary measures taken by the industrialized countries to control inflation during 1973/74. The extent of the difficulties faced by the industry was evident from the fact that there was capacity underutilization in the saw-milling industry amounting to about 50% in 1974.

1010. While *rubber processing* accounts for a substantial share in the manufacturing sector, the manufacture of *rubber products* is still a relatively minor activity, with tyres, tubes and rubber footwear being the principal products. Output from rubber processing and the manufacture of rubber products grew at 2.3% per annum during 1971-75.

1011. The output of *chemicals and chemical products*, comprising mainly gases, industrial chemicals, chemical fertilizers, refined coconut oil, paints, varnishes and lacquers, soaps, washing and cleaning compounds, perfumes, cosmetics and toilet preparations and matches, grew by 13.3% per annum. An even faster rate of growth would have been registered had it not been for the substantial decline of production in 1975, brought about by worldwide shortage of raw materials and intermediate inputs by major suppliers, namely Japan, the United Kingdom and the Federal Republic of Germany.

1012. Output of *petroleum and coal* products increased marginally by 3.2% per annum largely as a result of declines in the imports for re-export of crude petroleum. *Non-metallic mineral products* comprising mainly hydraulic and structural cement and concrete products registered continuous growth of 8.1% per annum despite the economic slowdown in 1975.

1013. The *basic metals and metal products* industries catering for the domestic market grew by 9.8% per annum during 1971-75. Output, after reaching its peak in 1974, declined in 1975 as a result of the slowdown in construction activities. The basic metals industry was further affected by the increases in fuel costs during the latter part of the SMP period as well as competition from dumping.

1014. The *industrial and electrical machinery* industry registered a steady growth of 15.6% per annum during 1971-75. This rapid growth was mainly attributed to the special fiscal incentives provided, the boom in the electronics industry and the increasing investments of multi-national electronic firms in the country. The manufacture of electronic components and sub-assemblies for export were the major products of this industry

although complete assemblies of radios, television and stereo sets were also produced. The *transport equipment* industry comprising mainly the assembly of passenger cars and other motor vehicles also grew rapidly at 11.8% per annum during the period.

1015. Employment in the manufacturing sector grew at 6.6% per annum during the SMP period and generated 108,300 jobs. The bulk of manufacturing employment created in Peninsular Malaysia was in the textiles, wood, chemical and transport equipment industries.

1016. During the SMP period, of the total of 2,118 projects granted approval by the Ministry of Trade and Industry, 748 were given pioneer status, 130 investment tax credits, 54 labour utilization relief and 73 other incentives while 1,113 were approved without being given tax incentives. When in full production, these projects with a total called-up capital of \$2.8 billion are expected to provide employment to 294,000 people. Of the total projects approved, 258 were for the manufacture of textiles, 294 food, beverages and tobacco industries, 198 electrical and electronic components, 212 transport equipment and 167 chemical products.

#### **Growth of manufactured exports**

1017. The export performance of the manufacturing sector during 1971-75 was impressive, increasing by about 29% per annum compared to the growth target of 15% under the SMP. The share of manufactured exports in gross merchandise exports accordingly increased from 11.4% in 1970 to 23% in 1975.

1018. In Peninsular Malaysia, the main manufactured exports comprising food, rubber products, industrial and electrical machinery and wood products together accounted for 87.4% of total manufactured exports during 1971-75. Significant growth rates were recorded for almost all manufactures except paper, petroleum, metal and non-metallic mineral products. The growth of textiles and electronic exports was particularly rapid.

1019. Gross exports of *textiles and clothing* including leather and footwear increased by about 22% per annum in real terms during 1971-75 due largely to the increase in the number of textiles mills established in the country, the export promotion efforts of the Government and the increase in export consciousness among textile producers. The realization of the full export potential of the industry was, however, limited by quotas imposed by several developed countries. Exports of *electronics and electronic components* increased sharply during 1971-75. These were largely from international concerns located in the Free Trade Zones (FTZs) established in the years 1972/73.

1020. Gross exports of *machinery and transport equipment* increased by about 26% per annum in real terms between 1970 and 1975. These, in particular transport equipment, were mainly exported to the neighbouring countries such as Singapore, Thailand, Indonesia and Hong Kong.

### **Export markets**

1021. Principal markets for Malaysian manufactured exports were Singapore, the United States of America (USA), Japan and the countries of the EEC. Apart from rubber and tin, the USA is an important market for a wide range of manufactured goods particularly wood products, textiles, clothing and footwear and food products. During 1971-74, about 11% of Malaysian manufactured exports went to the USA. With the enlargement of the European Economic Market in January, 1973, the EEC has become one of Malaysia's leading trading partners, accounting for 20.9% of total manufactured exports.

1022. Although primary commodities comprised the bulk of Malaysia's exports to Japan, the range and value of exports have been increasing. Japan accounted for 4.1% of Malaysia's manufactured exports during 1971-74. Malaysia's trade in manufactured goods with the countries of the Association of Southeast Asian Nations (ASEAN) accounted for 55.7% during 1971-74, the bulk of which was with Singapore. While exports of manufactured goods to West Asia, the East European countries, Latin America and the People's Republic of China were negligible, increased efforts will be made to establish closer and more active trade and economic relations with these countries.

1023. Efforts were made during the SMP to promote the exports of manufactured goods. The International Trade Division established within the Ministry of Trade and Industry in 1972, with the assistance of the Trade Commissions located in the major trading centres of the world, provided a wide range of export development services to Malaysian exporters which included: export advisory services; overseas market intelligence; overseas business contacts; and the organization of Malaysian participation in international trade fairs and exhibitions.

1024. To ensure the availability of adequate shipping services at competitive freight rates for Malaysian exports, a National Shippers Council was formed and is serviced by the Ministry of Trade and Industry. Through this Council, Malaysian shippers are brought together to promote their common interest *vis-a-vis* shipping conferences and other shipowners.

1025. Appropriate export incentives were provided under the Investment Incentives Act, 1968 to encourage Malaysian manufacturers to expand into overseas markets. The number of export-oriented projects approved, that is, those exporting at least 80% of their output, increased from 33 in 1971 to 103 in 1975. The total number of export-oriented projects approved during the SMP period was 433. The principal industries included electrical and electronics, textiles and clothing, food manufacturing and wood products.

1026. The Government concluded bilateral trade agreements with 13 countries providing *inter alia* for most favoured nation treatment in the conduct of trade relations between Malaysia and these countries. The

Government also established in 1970 the Malaysian Commission on the EEC to safeguard as well as promote Malaysia's economic and trade relations with the member countries through bilateral means as well as through joint efforts with the ASEAN countries.

1027. To spearhead Government's efforts in the co-ordinated promotion of foreign trade, investment and tourism, the Committee of Officials on Foreign Trade and Investment (COFTI) was established in September, 1972. The Committee formulates policies on trade, investment and tourism and also considers and develops programmes for the intensification of export development, investment and tourism promotion measures.

1028. The State Governments have also contributed towards the promotion of exports of manufactured goods through the establishment of FTZs. During the SMP, five such zones involving a total gazetted area of 1,508 acres were established. By the middle of 1975, over 56% were taken up by export-oriented industries.

#### **Dispersal of industries**

1029. One of the objectives of the industrialization policy of the SMP was the promotion of industrial activities in less developed areas to achieve more balanced regional industrial growth. For this purpose, a Locational Incentive Scheme was implemented in 1975 whereby tax relief was granted to projects established in Kedah excluding the Kuala Muda District, Pahang excluding the Kuantan District, Kelantan, Trengganu, Perlis, Sabah, Sarawak and Johor Tenggara. The incentives are for varying periods from five to ten years depending on the amount of capital expenditure, size of employment, priority of products manufactured and local content.

1030. Of the total projects approved by the Government during 1971-75, 1,234 were located outside industrially developed areas. The percentage of approved projects located in less developed areas increased from 43.1% in 1971 to 67.7% in 1975. The less developed states of Perlis, Kedah, Kelantan, Trengganu, Sabah and Sarawak received an increasingly larger share of the approved projects from 20 or 12.3% of the total in 1970 to 92 or about 20% in 1975.

1031. Some progress has been made in the dispersal of industries to the less developed States and further efforts will be made to accelerate this programme. These include the establishment of industrial estates, the provision of adequate water and power supplies and more efficient transport and telecommunications facilities. In mid-1975, more than 50% of all industrial estates developed by the various State Economic Development Corporations (SEDCs) and the Malaysian Industrial Estates Sdn. Bhd. (MIEL) in Peninsular Malaysia were located in the three developed states of Penang, Selangor and Johor. Only about 11% were located in the less developed States of Kedah, Kelantan and Trengganu.

1032. In addition to industrial estates to encourage the dispersal of industries, work commenced on the establishment of several new growth centres in regional development areas such as in Pahang Tenggara and Johor Tenggara. Based on the natural and agricultural resources available within these regions, several potential industries have been identified including integrated timber complexes, oil palm processing, chipboard and rubber products.

1033. During the SMP period, the Federal Industrial Development Authority (FIDA) established regional offices at Alor Star, Kuantan, Kuching, Kota Kinabalu, Kota Bharu and Ipoh with the objective of providing assistance for the establishment of industries in the less developed areas. Likewise, in addition to existing branch offices, the Malaysian Industrial Development Finance Bhd. (MIDF) also established four other regional offices in Kuantan, Kota Bharu, Ipoh and Johor Bahru. The share of all loans approved by MIDF for industrial activities in the less developed States of Kelantan, Trengganu, Kedah, Perlis, Sabah and Sarawak increased in value from 17.8% in 1971 to 18.2% in 1975. *Bank Pembangunan* also established two regional offices in Alor Star and Kota Bharu.

#### **Development of small-scale industries**

1034. The development of small-scale industries is an integral part of Malaysia's industrial development. These industries are labour intensive, utilize substantial domestic raw materials as inputs and can provide complementary and feeder services by acting as sub-contractors or ancillary establishments producing component parts for the use of larger industries. To promote their growth, various measures were taken by the Government including the provision of finance, training and advisory and consultancy services. Among the important institutions providing finance to small-scale industries are the *Majlis Amanah Rakyat* (MARA), *Bank Pembangunan*, MIDF, *Bank Pertanian* and all the commercial banks through the Credit Guarantee Corporation (CGC).

1035. By the end of the SMP period, MARA provided loans amounting to \$163 million for the development of small-scale industries and businesses, while *Bank Pembangunan* which was established in 1973 granted 39 loans amounting to \$7.6 million. The CGC guaranteed over 35,800 loans amounting to \$302 million. Of the total 1,154 loans amounting to \$417.4 million provided by MIDF, more than 75% were for the financing of small and medium scale industries.

1036. MIEL, a subsidiary of MIDF, continued to provide ready-made factory buildings mainly for small-scale and medium-scale industries. By the end of 1975, it had designed and built 380 factories of different kinds in 14 locations at a total cost of \$50 million. Out of this, 250 factories were built during the Plan period involving \$44.3 million.

1037. To develop the traditional handicraft industry, the *Lembaga Kraftangan Malaysia* was established in 1974. Training and research centres were established in Kuala Trengganu, Kota Bharu, Kuala Kangsar, Seremban and Temerloh to train operators on better techniques of production and marketing. These centres also supply semi-processed raw materials and light machinery and tools to handicraft producers.

1038. To ensure effective co-ordination of the various agencies, an Advisory Council on Consultancy and Advisory Services for Small-scale Industries and Businesses was established in 1972. During the SMP, the number of consultancy assignments completed by the member agencies of the Council increased from 723 in 1971 to 2,463 in 1975 covering management accounting, marketing, advertising, production and technology.

#### **Participation of the Malays and other indigenous people**

1039. Although the ownership by the Malays and other indigenous people of share capital in public and private limited manufacturing companies continues to be low, there has been some improvement in their share in the sector. Their share in the total increased from 1.8% in 1970 to 2.4% in 1973. A sum of \$814.7 million or 29.2% of proposed called-up capital in approved manufacturing projects was reserved for the Malays and other indigenous people. Of the actual called-up capital of \$980.3 million, about 20.1% or \$196.9 million were subscribed by Malay individuals and Malay interests.

1040. In Peninsular Malaysia the employment of Malays in the manufacturing sector increased significantly during the SMP period although this increase took place at the lower levels of the occupational hierarchy. Their share in total manufacturing employment grew from 28.9% in 1970 to 33.1% in 1975. Their share in the professional, technical, administrative and managerial occupations increased from 14.6% in 1970 to 24.1% in 1975.

1041. An active role has been played in the manufacturing sector by agencies operating on behalf of the Malays and other indigenous people. The 13 SEDCs alone established eight subsidiaries and participated in 76 joint-ventures. During 1971-75, the SEDCs invested \$93.4 million in various projects in the sector and provided 10,900 jobs. Some major joint-venture projects included sugar manufacturing in Kedah and Negri Sembilan, a cement project in Perlis, wood products manufacturing in Johor and Pahang, a motor assembly plant in Sarawak and a palm oil mill in Trengganu.

1042. The *Perbadanan Nasional* (PERNAS), which began operations in 1970 formed eight wholly-owned subsidiaries in construction, engineering, mining, property development, securities, trading, insurance; the eighth subsidiary was formed in 1975 as a purchasing agent for the Government. In addition, six of the wholly-owned subsidiaries established on their own or as joint-ventures 49 other companies which were involved in off-shore mining, highway construction, trading and manufacturing. The joint-ventures

are carried out both with local and foreign companies. Through its engineering subsidiary, PERNAS participated in several manufacturing activities including the manufacture of telecommunications equipment, edible oil and container transport. In terms of employment, 87% of 777 employees in this subsidiary and its associate companies were Malays. PERNAS Securities Sdn. Bhd., incorporated in 1971, also acquired shares in several manufacturing companies including tyre manufacturing.

1043. MARA, through its Transport and Commerce and Industry Divisions established ten companies in manufacturing. These companies had a paid-up capital of \$50 million and provided employment to over 3,000 Malays and other indigenous people by the end of 1975. In addition, MARA also acquired minority share holdings in 12 private companies. Total MARA investments in these companies reached \$3.6 million in 1975. In January, 1973, the *Kompleks Kewangan Malaysia Bhd.* was incorporated as a holding company with eight subsidiaries to expand the activities of *Amanah Saham MARA Sdn. Bhd.* and its subsidiaries with a view to increasing the participation of Malays and other indigenous people in securities trading.

1044. The Food Industries of Malaysia Sdn. Bhd. (FIMA) was incorporated in 1972 to promote the development of food processing industries in the country particularly in the less developed areas. By the end of the SMP period, the company had investments in seven subsidiaries which were involved, among others, in the canning of pineapple, manufacture of feed-meal, fruit juice, cans and boxes.

### III. POLICIES AND PROSPECTS, 1976-80

#### Policies

1045. The industrialization strategy during the TMP will continue to be geared to meet the NEP objectives of eradicating poverty and restructuring society in the context of an expanding economy. Emphasis will be given to the promotion of efficiency, creation of employment, development of small-scale industries and the participation of the Malays and other indigenous people in the growth of the sector.

1046. To promote the growth and diversification of the manufacturing industry, Malaysia will continue to provide a variety of fiscal incentives including tariff protection and tax incentives. While a liberal system of incentives is necessary for private investment, the future strategy will continue to stress the need to encourage the growth of labour intensive, resource including agro-based and export-oriented industries as well as their dispersal to the less developed states of Kedah, Perlis, Kelantan, Trengganu, Pahang, Sabah and Sarawak.

1047. As growth of the manufacturing sector under the Plan will be increasingly dependent on exports as opposed to domestic demand, it is imperative that such industries are efficient and competitive in the world



market. To this end, the package of incentives for industrial development will be kept under review to ensure that they do not shelter high-cost industries but contribute towards the growth of industrial efficiency.

1048. The Government will continue to encourage the development of small-scale industries as they provide practical avenues for developing potential entrepreneurial talent and leadership as well as mobilizing middle class individual savings for investment in industrial ventures. The promotion of small-scale industries will also enhance the participation of Malays and other indigenous people in this sector.

1049. With the discovery of oil and natural gas in the continental shelf of Malaysia, there is great potential for the development of petro-chemicals and petro-chemical products industries. A national petroleum policy has been formulated with the objective of bringing about the efficient utilization of this resource for industrial development as well as ensuring that the nation exercises majority control in the management and operation of the industry. The national oil company, *Petroleum Nasional Bhd.* (PETRONAS) established in 1974, provides the organization and machinery for the effective implementation of the national policy with respect to the petroleum industry. Although PETRONAS has been vested with the responsibility for the exploration, development, refining, processing, manufacturing, marketing and distribution of petroleum and petro-chemical products, the Government welcomes the private sector, including foreign enterprises, to participate with PETRONAS in these industries consistent with the national petroleum policy.

1050. In the promotion of industrial development, priority will be given to raw-material based industries including food, rubber, wood and palm oil products. In the endeavour to extend the end-uses of these raw materials, the research activities of agencies such as the Malaysian Agricultural Research and Development Institute (MARDI), the Standards and Industrial Research Institute of Malaysia (SIRIM), the Forest Research Institute (FRI) and the Rubber Research Institute of Malaysia (RRIM) will be strengthened. In addition, a Rubber Technology Centre has been established at the RRIM to spearhead a wider range of end-uses of natural rubber in the manufacture of rubber products. As Malaysia's industrial base expands, opportunities will also be enlarged for the domestic manufacture of intermediate and capital goods.

#### **Prospects**

1051. Value added by the manufacturing sector is projected to grow by 12.0% per annum in real terms during 1976-80. As a proportion of the GDP value added in manufacturing will rise from 14.4% in 1975 to 16.8% in 1980. The food manufacturing industry including beverages and tobacco is expected to account for 36.2% of total manufacturing output in Peninsular Malaysia; rubber products and processing industry, 24.2%; chemicals and

chemical products, 6.4%; ferrous and non-ferrous products, 6.2%; and machinery, 5.5%. The other industries will account for the remaining 21.5% of total manufacturing output.

1052. Most industries in the manufacturing sector are projected to grow rapidly. Food manufacturing is forecast to grow at 12.5% per annum; textiles and clothing, 12.3%; wood and paper products, 10.2%; chemical and rubber products, 10.9%; basic metals and non-metallic mineral products, 11.2%; machinery and transport equipment, 15.0%; and other manufactured products, 13.9% per annum.

1053. Export demand will constitute the major source of growth for the food, wood, chemicals, rubber and machine products industries. The growth of private consumption will also be an important element in the expansion of the industrial sector. It will constitute the principal source of growth for a widening range of manufactured products including textiles, wood and paper products. Continued import substitution is expected to account for some 40% of the growth of the textiles industry.

1054. In Sabah and Sarawak, the petroleum products industry will be the key component in manufacturing output. Wood processing will constitute the next important source of industrial production in both States.

1055. The manufacturing sector is expected to generate 169,900 jobs during the TMP contributing 22.9% of total new job creation. Employment in the sector will therefore increase from 398,200 in 1975 to 568,100 in 1980, a rate of growth of 7.4% per annum. Its share in total employment will increase from 10.1% in 1975 to 12.2% in 1980. The agro-based industries, wood products, textiles and clothing, industrial and electrical machinery, oils and fats and chemical products industries are expected to account for the major part of job creation in the manufacturing sector.

1056. Exports of manufactured goods which accounted for 23% of total merchandise exports in 1975 grew by about 29% per annum during 1971-75. Exports of manufactured goods will continue to be actively promoted during the period of the TMP and are projected to grow by 19.9% per annum during 1976-80.

#### **IV. PROGRAMMES, 1976-80**

1057. While the private sector will continue to play a significant role in the manufacturing sector, the public sector through its various agencies will also be actively involved. FIDA will continue to provide the machinery for the promotion and co-ordination of industrial development in the country. Continuing efforts will be made to attract investment from both foreign and local sources, particularly in labour intensive, resource-based including agro-based, export-oriented and high technology industries. At the same time, FIDA will continue to assist investors in speeding up the implementation of their projects. It will also work closely with the State Governments to ensure proper co-ordination of industrial development and the development of industrial estates.

1058. During the Plan period, FIDA will continue to emphasize greater participation of the Malays and other indigenous people in new industries. In this connection, the Authority will continue to conduct feasibility studies and industrial surveys to identify new investment opportunities and to pursue the policy of dispersal of industries.

1059. SIRIM, was formed in 1975 and comprises a Science and Industrial Research Division (formerly known as National Institute for Science and Industrial Research) and a Standards Division (formerly known as Standards Institution of Malaysia). The Research Division will intensify its research activities aimed at the domestic application of a wide range of proven industrial technology for the manufacture of resource-based products. The main objectives of the Standards Division are to develop and promote national standards for commodities, processes and practices as well as to test and provide Certification Marking for commodities which conform to Malaysian standards. During the Plan period, it will further promote the use of Malaysian standards through the Certification Marking Scheme.

1060. Other agencies which are involved in industrial research include the RRIM, the Malaysian Rubber Producers Research Association (MRPRA), MARDI and FRI. The RRIM together with MRPRA will continue to undertake research into the end-uses of rubber and rubber wood. MARDI will intensify its research activities in the utilization and processing of agricultural products, livestock and fish for industrial and commercial use. On the other hand, FRI will further develop the use of Malaysian timber as well as the fibre by-products of plantation crops for pulping.

1061. The development of skills required for the industrialization process is given priority in the Plan. In this regard, the Industrial Training Institutes (ITI), MARA Vocational Institutes, National Youth Pioneer Corps (NYPC), vocational schools of the Ministry of Education, the National Productivity Centre (NPC) as well as the Universities and Colleges will continue to play an important role. The private sector is expected to complement the efforts of Government in the production of skilled manpower. Integrated training will be promoted through the establishment of the National Industrial Training Council with representation from Government, employers and workers.

1062. Public sector agencies such as *Bank Pembangunan*, MARA, *Bank Pertanian*, MIDF and the CGC will continue to play an active role in providing credit for the establishment and expansion of new industries. Under the Plan, *Bank Pembangunan*, the Loans Division of MARA and *Bank Pertanian* have been allocated \$65.0 million, \$60.0 million, and \$75.8 million respectively for their lending operations.

1063. The Government will continue to encourage and assist the development of small-scale industries during the Plan period. The Advisory Council on Consultancy and Advisory Services for Small-Scale Industries and Businesses will be strengthened to become the Co-ordinating Council

for the Development of Small-Scale Industries. The Council will be responsible for co-ordinating and harmonizing programmes and policies of existing institutions over the whole range of services to small-scale industries. In servicing the Council, FIDA as the Secretariat will act as a contact point between the private sector and Government and will be responsible for the formulation of measures for the effective development of small-scale industries and the identification of appropriate projects including the feasibility of sub-contracting arrangements between small-scale and larger industries.

1064. The Government will continue to provide locational incentives to encourage the dispersal of industries to the less developed States. The establishment of industrial estates by the SEDCs and the construction of factories by MIEL will enable dispersal to be effected. On the basis of a national strategy for the development of industrial estates, a total of about 9,000 acres of industrial estates will be developed throughout the country during the Plan period. Of these, some one-quarter is expected to be located in the less developed States of Kelantan, Trengganu, Kedah, Sabah and Sarawak. Basic infrastructural facilities such as electricity, water and telecommunications services will be provided in these industrial estates. The SEDCs will also undertake the construction of low-cost houses to cater for the needs of industrial workers.

1065. The completion of the ports at Kuantan, Pasir Gudang and Bintulu will encourage the dispersal of industries to the less developed areas. Adequate facilities will be provided at existing and new ports to facilitate movement of raw materials and finished goods.

1066. The Government through its public sector agencies will also continue to participate directly in the management and operation as well as equity participation in manufacturing ventures. The SEDCs, ~~other~~ on their own or in joint-venture with the private sector, have planned to undertake 31 new manufacturing projects such as cement production, ceramics, bricks, glass, wood-based and food processing industries. All these would involve a capital investment of \$110.6 million and an employment potential of over 10,000 jobs.

1067. PERNAS will be involved in several manufacturing projects during the TMP including the manufacture of fertilizer, cement, telecommunications equipment and pharmaceuticals. It will undertake mutually agreed-upon acquisition of share capital in existing companies on behalf of the Malays and other indigenous people.

1068. PETRONAS projects in the petroleum and petro-chemical fields will be determined after the completion of the Masterplan study to identify short-term and long-term industries to be established. To meet the urgent needs of the agricultural sector, a detailed feasibility study on a nitrogenous fertilizer plant is also included in the Masterplan study.

1069. Under the Plan, FIMA is expected to expand its activities by undertaking projects such as the manufacture of edible oil, processing of cashew nuts and the cultivation of fruits and vegetables.

1070. The Pahang Tenggara, Trengganu Tengah and the Johor Tenggara Development Authorities have plans to undertake several manufacturing projects, particularly those which are resource-based. They have been allocated a sum of \$37.3 million, \$15.9 million and \$25.4 million respectively for equity participation.

1071. A major feasibility study is being undertaken for the establishment of a second integrated steel mill in Peninsular Malaysia. A Metal Industries Development Centre of Malaysia (MIDCOM) will be established. The main objective of this Centre is to ensure that the foundry and metal-working industries are able to supply the local market with quality products such as castings, dies and moulds, tools, jigs and fixtures thereby raising technological and operational efficiency of existing and new establishments.

1072. Efforts to increase participation by the Malays and other indigenous people in industry will be further intensified. A multi-pronged approach will be adopted through the provision of credit, technical and managerial know-how including training. The activities of NPC, ITI, MARA as well as the Ministry of Education and the Universities will play an important role in providing the Malays and other indigenous people with the skills required for their participation in commerce and industry. FIDA will assist in the identification of suitable industries for their participation and maintain a list of potential investors for joint-ventures.

1073. Commercial banks will play an increasing role in providing finance to Malays and other indigenous people to engage in commerce and industry. Towards this end, all commercial banks have established special units to cater to the Malays and other indigenous people. The CGC will facilitate the extension of credit for small business ventures. In May, 1975, the CGC raised the maximum limit on loans extended to the Malays and other indigenous people under the guarantee scheme from \$100,000 to \$250,000 per loan. In addition to present regional offices of the CGC in Kota Bharu and Kuantan, an additional two will be set up to cater for the southern and northern regions of Peninsular Malaysia.

✓ 1074. In the endeavour to promote increased share ownership of the Malays and other indigenous people within the corporate sector, the approved companies in the private sector have reserved 30% of their equity capital for sale to them. In view of the slow rate at which these shares have been acquired, a *Bumiputra Investment Fund* will be established under the Plan for selective purchase of these reserved shares. These shares will be held in trust for eventual sale to the Malays and other indigenous people.

## V. ALLOCATION FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT

1075. The allocations of public sector development expenditure for industrial, commercial, tourism and mining activities are shown in Table 17-1.

TABLE 17-1

### MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR INDUSTRY, COMMERCE, TOURISM AND MINERAL RESOURCES PROGRAMMES, 1971-80<sup>1</sup>

(\$ million)

	Revised SMP allocation, 1971-75	Estimated expendi- ture, 1971-75	%	TMP allocation, 1976-80			Total
				Peninsular Malaysia	Sabah	Sarawak	
PERNAS .. .. .	150.00	150.00	100.0	200.00	—	—	200.00
MARA .. .. .	215.27	205.27	95.4	315.00	—	—	315.00
Contribution to <i>Bumiputra Investment Fund</i> .. .. .	—	—	—	200.00	—	—	200.00
SEDCs .. .. .	192.93	227.53	117.9	368.80	32.50	22.50	423.80
Industrial estates .. .. .	35.26	25.41	72.1	—	—	—	—
UDA .. .. .	175.00	194.46	111.1	200.00	—	17.00	217.00
MIDF .. .. .	100.00	100.00	100.0	—	—	—	—
MARDEC .. .. .	76.71	60.59	79.0	132.86	—	—	132.86
MISC .. .. .	107.04	113.01	105.6	11.00	—	—	11.00
Selangor Government .. .. .	260.00	260.00	100.0	—	—	—	—
Other investment in economic enterprises (including <i>Bank Pembangunan</i> ) .. .. .	225.78	235.51	104.3	120.89	—	61.70	182.59
PETRONAS .. .. .	10.00	10.00	100.0	—	—	—	—
Others (SIRIM, NPC, Tourism, FIDA, etc.) .. .. .	60.15	36.42	60.5	52.27	—	—	52.27
Mines and Geological Survey .. .. .	0.69	0.58	84.1	2.04	1.35	1.65	5.04
<b>TOTAL ..</b>	<b>1,608.83</b>	<b>1,618.78</b>	<b>100.6</b>	<b>1,602.86</b>	<b>33.85</b>	<b>102.85</b>	<b>1,739.56</b>

<sup>1</sup> The allocations cover programmes of agencies involved in other activities which are described in their respective Chapters.