

CHAPTER VIII

Manufacturing, Construction and Mining

352. The importance of agriculture in national economic development is discussed in Chapter VII. An acceleration of agricultural activity alone, however, will not be sufficient to generate and maintain a high rate of income and employment growth.

353. As the agricultural resources of the country become more fully exploited, growth in secondary industry will have to be relied upon to produce progressive increases in income and employment for a growing population. If national income and employment are to rise over the next twenty years as envisaged in the Perspective Plan (Chapter III), considerable structural changes in the economy will have to occur, with industry accounting for an increasing share of the total. The promotion of accelerated development in manufacturing activity is therefore important. This is especially so, as it is expected that mining output will be stable at best in the long term, with the progressive exhaustion of known and easily accessible resources.

1.—THE STRUCTURE OF MANUFACTURING INDUSTRY

354. It is estimated that the contribution of the manufacturing sector to Malaysian gross domestic product at constant factor cost in 1965 is about 11% and that the sector provides employment for about 6% of the total employed labour force. On a regional basis, Malaya accounts for the largest share of manufacturing industry. Manufacturing activity in Sabah and Sarawak is as yet negligible.

355. The manufacturing sector can be classified into three categories. The first is the processing of agricultural products in factories off estates. Included in this category are rubber milling and latex processing, copra

processing, palm oil milling and tea factories. The second category is that of industries manufacturing consumer and intermediate goods with the use of local and imported raw materials. Included are food products, beverages, tobacco products, textiles, foot-wear, furniture and fixtures, paper and paper products, printing, publishing and allied activities, leather and leather products, rubber products, chemicals and chemical products, petroleum products and non-metallic mineral products industries. In many of these industries the techniques of production employed are relatively simple. These industries also account for the largest share of employment in the manufacturing sector. Overlapping this second group is a third category of industries, which produces capital goods as well as consumer and intermediate goods and generally employs more capital-intensive methods of production than the second group. In this category are basic metals, metal products, machinery and transport equipment industries.

356. In Malaya at present, about 21% of value-added by manufacturing activity originates from the first category, 68% from the second and 11% from the third. Manufacturing activity in the Borneo States is mainly in the first two categories.

357. The average size of manufacturing establishments in the country is quite small in terms of employment. The 1963 census of manufacturing industries in Malaya indicates that only 7 major groups of industries employ more than 5,000 full-time workers each. These are the food, wood, rubber, metal and non-metallic mineral products industries, the industries associated with the processing of estate-type agricultural products in factories off estates and the printing, publishing and allied service industries.

358. Taking the manufacturing sector as a whole, average full-time employment per manufacturing establishment is about 10 workers. Establishments employing under 10 full-time workers each account for about 82% of total manufacturing establishments. However, they contribute only about 14% of total net output in manufacturing. Conversely, industries employing more than 50 full-time workers per establishment account for only about 4% of the total number of establishments but contribute 60% of total net output in manufacturing. As for Sabah and Sarawak, available evidence indicates that almost all firms have less than 50 employees.

II.—PROGRESS IN THE MANUFACTURING SECTOR

359. The contribution of the manufacturing sector to gross domestic product at constant factor cost in Malaya rose from 8.7% in 1960 to 10.8% in 1965. In absolute terms, the value added by the sector rose from \$453 million in 1960 to \$766 million in 1965, a rate of growth of 11.0% per annum. However, value-added in current prices increased at an annual

rate of growth of 8.0%, to \$665 million in 1965. The difference results from the fact that the value of net output from the processing of estate-type agricultural products in factories off estates declined, primarily because of the falling price of rubber, the processing of which is still a large element in this group of industries. The fastest rates of growth were achieved by tobacco products, chemical products, machinery, metal products, non-metallic mineral products and basic metals industries, where the annual average rate of increase in net output was about 20%. The other major groups of industries, including food products, beverages, wood products, rubber products and transportation equipment industries, achieved moderate rates of growth.

360. Gross capital formation in the manufacturing sector increased steadily between 1960 and 1965. This indicates that the confidence of investors both in and outside Malaysia has not been affected by political uncertainties in the region. The major new projects which were implemented during the last five years include three cement factories, three condensed milk factories, two oil refineries, two factories making asbestos cement products, two breweries, two textile mills, a tyre factory, a cigarette factory, a sugar refinery, a synthetic detergents factory, a factory producing monosodium glutamate, a metal box factory, an acid factory and an aluminium rolling mill. Most of these will have sufficient capacity not only to satisfy domestic demand but to provide for an exportable surplus as well. In the Borneo States an expansion of investment appears to have taken place in wood-working, engineering assembly and repair, tyre retreading and in the manufacture of biscuits, soft drinks, cigarettes, matches, soap, rubber footwear, plastic goods and dairy products.

361. This steady advance in manufacturing development has been made possible by the maintenance of political and financial stability in the country. Industrial development in Malaya has also been facilitated by an adequate physical infrastructure of transport and communication facilities and of power and water supplies, as well as by the provision of tax relief to industries accorded pioneer status and the establishment of industrial estates. During 1961-65, 110 firms were granted pioneer industry certificates, 26 for the manufacture of chemicals and chemical products, 18 for foods and beverages, 15 for metal products other than machinery and transport equipment, five for textiles and the remainder for a large variety of other activities. The total called-up capital of these pioneer industry firms as of September, 1965 amounted to about \$234 million, compared with \$29 million at the end of 1960. Of the \$234 million, approximately 61% represented investment from abroad. A total of 98 pioneer firms employing 10,730 workers were in production in September, 1965. When these firms

reach the end of their pioneer relief periods, they will provide a total of about 14,500 jobs.

362. The contribution of pioneer firms to net output and employment in the whole Malayan manufacturing sector is still quite small. The 1963 census of manufacturing industries indicates that pioneer firms accounted for only 9% of manufacturing establishments, 17% of net output and 8% of paid employees in the manufacturing sector. However, for pioneer firms the five-fold increase in the number of establishments between 1959 and 1963 and the rise in the value of net output by 18 times during the same period were much higher than the corresponding increases for the entire manufacturing sector. These results attest to the significant role which pioneer industry concessions have played in industrial progress.

363. In the field of industrial site development, Malaya's first industrial estate at Petaling Jaya in Selangor, covering about 730 acres, is now a thriving success. Virtually all sites are earmarked although not all are fully developed. Six additional estates were established in Malaya in the last five years: at Tampoi (143 acres) and Larkin (154 acres) in Johore Bahru, Tasek (370 acres) in Ipoh, Mak Mandin (320 acres) near Butterworth, Senawang (400 acres) near Seremban and Tupai (105 acres) in Taiping. Two more estates at Batu Tiga (695 acres) near Klang and Kamunting (600 acres) near Taiping are under construction. Apart from the Tupai estate, which will cater mainly for light industries, all other estates will cater for both heavy and light industries.

364. In addition to assistance provided by the government, financial institutions in the private sector have also played their part in stimulating manufacturing development. In Malaya, loans and advances by commercial banks for manufacturing concerns have increased from \$53 million at the end of 1960 to \$150 million at the end of 1964. There has also been a considerable expansion in the amount of credit extended by Malaysian Industrial Development Finance Limited (MIDFL). Its commitments at the end of the third quarter of 1965 were in the order of \$44 million. Assistance was given to the development of both light and heavy industries, especially to enterprises contributing to import substitution and export expansion. The wide range of industries assisted includes those producing furniture, flour, pharmaceuticals, cosmetics, stationery, stout, plastic articles, tanned leather, electric lamp bulbs, domestic electric appliances, rubber products, veneer, plywood, coir, cement concrete blocks, window glass, asbestos, cement and building products and iron and steel. The provision of assistance for the manufacture of veneer, plywood and coir, is resulting not only in the development of export earning industries but is also generating additional value-added to raw materials which otherwise would

be shipped abroad in an unworked state. In the case of the assistance provided to a new cement plant, the additional production capacity created has brought overall capacity in the industry to a level sufficient to meet all foreseeable domestic demand. As a result of the encouragement given to the establishment of a plant for the manufacture of concrete blocks, a special kind of block hitherto not used in Malaysia will be produced. This will substantially reduce building and construction costs.

365. The magnitude of assistance given by MIDFL was made possible by its re-organisation in 1963, which paved the way for an increase in share capital from \$17.5 million to \$25.0 million, a loan of \$24.5 million from the World Bank, an interest-free long-term loan of \$37.5 million from the Federal Government and a strengthening of the management and staff organisation of the company.

III.—PROGRESS IN THE CONSTRUCTION SECTOR

366. In the field of building and construction, the increase of activity in Malaysia during the period 1961-65 was spectacular. This was brought about by rapid growth in capital expenditure on dwellings, office buildings, schools and other construction projects. The most rapid growth took place in the public sector, where capital expenditure trebled during the period.

367. The capacity of the Malayan construction industry was increased significantly during 1961-65. The industry increased its share of gross domestic product, in terms of 1960 constant prices, from 3% in 1960 to 5% in 1965. It was Malaya's fastest growing industry during that period, with an annual rate of growth of about 18%. This rapid growth was facilitated by a substantial expansion of loans and advances by commercial banks, which trebled between 1960 and 1964. A significant feature of the Malayan construction industry prior to 1960 was its low degree of mechanisation. However, during the 1961-65 period it was able to rapidly modernise and expand in response to the demand for construction activity generated by the public development programme and the upsurge of private investment, particularly non-residential construction.

IV.—PROGRESS IN THE MINING SECTOR

368. Output in the mining sector increased by about 20% between 1960 and 1965. The principal mineral commodity in value terms is Malayan tin, for which output increased from 52,000 tons in 1960 to about 62,000 tons in 1965. The 1965 level is about equal to that which prevailed before restrictions were imposed by the International Tin Council in 1958-59 in an attempt to contain the price decline which was taking place at that time. Next in importance is Malayan iron ore, the output of which expanded from 5.6

million tons in 1960 to 7.3 million tons in 1963 but then declined to an estimated 6.5 million tons in 1965. This decline was principally the result of the depletion of known commercial reserves. Other minerals of importance are bauxite and gold from Malaya and Sarawak and illminite from Malaya. During 1961-65 the output of bauxite and illminite increased, while gold production decreased. Recently, sizable deposits of high quality steam coal and fireclay have been discovered in Sarawak.

369. The total value of mineral output, almost all of which is exported, doubled between 1960 and 1965, primarily because of a sharp rise in the price of tin from an average of \$6,622 per ton f.o.b. in 1960 to an estimated \$11,760 per ton in 1965. This price increase has induced the opening up of a large number of new tin mines, particularly in 1965.

V.—PROSPECTS FOR THE MINING SECTOR

370. Present information indicates a declining contribution of mining output to the gross domestic product of the economy in the immediate future. It is expected that the net value of Malayan mining output will decline by 4.6% per annum over the period 1966-70 as compared with an increase of 15.0% per annum during 1961-65. In the next five years a substantial decline is likely to occur in the output of tin from dredging as known deposits are gradually exhausted. There will be some increase in production from the use of new equipment on low-grade ground and from the operations of gravel pump mines. Gravel pump mines use simpler equipment than the dredge mines and can be moved to new sites and set up quickly and easily. However it is not expected that such increases will compensate for the decline in production by the dredging section of the industry. With regard to the price prospects for this commodity, the conservative expectation is that there will be no significant deviation from the present favourable level. There is a world shortage of tin and, unless considerable progress is made in substituting other materials for tin in its various uses, prices are unlikely to fall during the period as a whole.

371. In view of the rapidly declining reserves of iron ore deposits in Malaya, the output of this mineral is expected to decline further. In addition, some decline in prices is expected, since substantial increases in the availability of high-grade ores in the world market are anticipated. As for the other mineral resources of the country, the known reserves of bauxite and gold in Malaya and Sarawak are also rapidly diminishing.

372. The overall picture for the mining sector, at least in the short run, is thus quite bleak. However, the situation could change as a result of the extensive prospecting which is now being undertaken. New prospecting for tin in Malay reservations and off-shore prospecting are being intensified. Iron

ore prospecting will also continue, especially in Pahang, where some surveys indicate the existence of additional large quantities of iron ore. Other investigations which are being intensified reveal that copper may be found in Sabah and oil in Malaysian territorial waters off Sabah and Sarawak. To facilitate some of this work, an allocation of \$0.8 million has been made to the Federal Department of Geological Survey.

373. The results of prospecting which has been carried out by the Mineral Investigation Drilling Unit of the Federal Department of Mines indicate that the reserves of tin ore in Malay Reservations amount to about 1,000 million cubic yards. These reserves constitute about 15% of Malaya's total estimated reserves. To facilitate their exploitation and encourage Malay participation in the mining industry, material and technical assistance will be provided to Malay miners by the Department of Mines. Gravel pumps will be set up in selected areas by the Department and Malay miners will be trained to operate them. The equipment will be on loan to the miners and will be returned to the Department for use in other areas once the initial users have accumulated sufficient resources to acquire their own equipment. A sum of \$0.5 million has been allocated in the Plan to enable the Department of Mines to purchase equipment for two gravel pump mines.

VI.—PROSPECTS FOR THE CONSTRUCTION SECTOR

374. The prospective situation for building and construction activity is more encouraging. Public sector construction activities in Malaya will continue at a high level but, in view of the sizable advances which have already been made in most areas of public construction, the rate of growth will be lower than that during the period 1961-65. In the private sector, construction activity is expected to continue at a high and rising level. The overall average annual growth rate of construction activity in Malaya is likely to be about 8% during the next five years.

375. In the Borneo States the construction industry should expand rapidly in response to the high level of public development expenditure, particularly in projects aimed at building up the infrastructure. But the industry will have to expand its capacity rapidly if it is to satisfy all demands. The boom in the construction industry in Sabah has been one of the factors contributing to inflation in the State. Government will therefore encourage the expansion of the industry in the Borneo States during the Plan period.

VII.—PROSPECTS FOR THE MANUFACTURING SECTOR

376. The prospects for rapid economic expansion are best in the field of manufacturing activity. At the present stage of development in the economy, the immediate opportunities are principally in the domestic production of those consumer goods which are presently imported. The

magnitude of these possibilities may be seen from the estimate that only about 40% of total Malayan domestic demand for manufactured consumer goods of roughly \$2,000 million is presently met from local production, while 60% is imported. Looking beyond the immediate future, additional opportunities for industrial development will arise as increases in population and *per capita* income enlarge the size of the domestic market. These opportunities should improve further as export markets are developed. As progressive expansion takes place in the consumer goods industries, opportunities will also arise for the establishment and expansion of intermediate and producer goods industries supplying materials required by these consumer goods industries. Opportunities which arise during the Plan period will be located mainly in Malaya. In the Borneo States only a small degree of manufacturing development is anticipated in the next five years. However, public investment in the infrastructure of the economy and in the agricultural sector will serve to prepare these States for viable industrial development in the future.

377. In the light of the favourable prospects for expansion of manufacturing, the First Malaysia Plan incorporates a target rate of increase in manufacturing output of 10% per annum. To attain this target, it is expected that each of the following major groups of industries will generate annual output increases of the order of 10% or more: food and beverages, wood products, rubber products, chemicals and chemical products, basic metals and machinery manufacturing industries. Some of the major projects that will come to fruition during 1966-70 include sugar refineries, textile mills, motor vehicle assembly plants, flour mills, a chemical complex, an iron and steel mill, a jute mill and a pulp and paper plant. In addition, one of the oil refineries in Port Dickson in Negri Sembilan will construct a petro-chemical plant to supply some of the feedstock requirements of the chemical complex mentioned above.

378. The attainment of the above output targets is imperative if the national income and employment growth objectives of the Plan are to be reached and if a significant degree of import substitution is to be effected. It is also necessary that the target growth rates for the next five years be sustained in the long term if the objectives of the Perspective Plan are to be achieved.

VIII.—INDUSTRIAL DEVELOPMENT POLICY

379. The government will continue to leave the operational role in the industrial sector largely in the hands of private enterprise. The government will offer co-ordinated and purposeful assistance to private industrialists but attainment of the objectives for industrial development will depend substantially upon the response of local and foreign entrepreneurs to the

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incentives and assistance offered. If the targets are to be achieved, Malaysian businessmen will have to respond more vigorously than ever before to the opportunities existing in the industrial field. It will also be necessary to have an increased flow of foreign private capital and entrepreneurship into manufacturing industry, preferably in joint participation with domestic capital and enterprise.

380. Foreign entrepreneurs will be accorded the same incentives as local industrialists and, in addition, will continue to be given guarantees regarding the security of foreign investment. Investment guarantee agreements have been signed with the United States and West Germany and the government is willing to enter into similar agreements with other countries. An additional measure of protection to foreign investment is accorded by Malaysia's accession to the World Bank-sponsored Convention of International Investment Disputes, which permits foreign industrialists to resort to an International Arbitration and Conciliation Centre to settle disputes, should any claims against the Malaysian Government arise. Moreover, there will continue to be unrestricted repatriation of capital and remittance of profits and dividends within the Sterling Area. As in the past only nominal control will be imposed on capital movements and profit remittances to countries outside the Sterling Area. Agreement has been reached for relief from double taxation with the United Kingdom, Japan, Denmark, Norway and Sweden. The government is anxious to enter into similar agreements with other countries.

381. The involvement of foreign private entrepreneurship and capital in Malaysia's industrial development will be welcomed not only for its contribution to the growth of national income and employment but also for the part that it will play in helping to modernize industrial technology. In regard to the latter, the government is anxious to ensure that techniques of production are evolved which fit the circumstances of the economy by maximising the use of the country's abundant labour resources and economising on scarce capital. To this end, the government will encourage the use of labour-intensive methods of production wherever these are technically possible and economically justified.

382. In undertaking its role of promoting and facilitating the growth of manufacturing industry in Malaysia, the government will continue:

- (i) to gear its financial and monetary policies to the objective of maintaining a sound and stable financial and monetary climate free from restrictions, controls and uncertainties;
- (ii) to implement policies which will encourage and facilitate the accumulation of private savings for industrial development and other investment in the private sector;

- (iii) to implement policies which will ensure that incentives for private industrial investment are as favourable as possible, consistent with the national interest;
- (iv) to promote the development of the infrastructure of the economy so that adequate power, water, transport and communication facilities will be available;
- (v) to ensure that the development of the educational system will be geared to generate the necessary quantity and quality of manpower required to establish and operate modern industry; and
- (vi) to encourage broadly-based participation in industrial development by providing facilities and opportunities for the indigenous people, who have too little capital and know-how, to participate effectively in industrial development.

383. The first, second, fourth and fifth of the above areas of action are dealt with in other chapters. This chapter will concern itself only with the third, sixth and partially with the fifth areas of action.

384. The government is already in the process of implementing a number of specific promotional measures. Some protective tariffs have been introduced; income tax relief is being provided to pioneer industries; exemption from import duties is being granted on the raw material imports of industrial ventures; and industrial estates are being established in the main population centres of the country. It is clear, however, that much more needs to be done if the targets for industrial development are to be achieved and it is towards this end that the industrial promotion policies and programmes of the government will be directed.

PROTECTIVE TARIFFS

385. In recognition of the problems of infant industries and those which arise from the limited industrial experience of the country, major attention will be given to the imposition of protective tariffs and the establishment of common tariff arrangements for the whole of Malaysia. Some progress has already been made by the government on the advice of the Malaysian Tariff Advisory Board, which was established in 1963, with the declaration of protective tariffs on 214 items. With the experience that has been gained by the Board in the specific problems confronting industry, action can and will be speeded up to ensure that significant advances are made in the next five years. The government, however, is intent on ensuring that no more protection than is necessary will be accorded, for the cost of industrialisation to the domestic consumer must be minimised. The government is also intent that tariff protection will not be afforded for periods longer than are absolutely necessary. The growth of the industrial sector in

the long run will demand that eventually production be extended to supply not only the domestic market but also markets overseas. This makes it essential that domestic enterprise be constantly prodded to increase efficiency so that there will be progressive reductions in production costs.

TAX INCENTIVES

386. The experience of Malaysia as well as that of other countries in similar conditions suggests that the provision of tax incentives will also encourage a significantly faster rate of capital formation in the manufacturing sector than might otherwise be expected. It will therefore continue to be the policy of the government to use this instrument to facilitate industrial development. The government will determine the appropriate combination of tax incentives and tariff protection to be used in each case depending on the particular problems which confront the enterprise.

387. To ensure that fiscal incentives contribute positively to sound industrial development, the government is considering whether any modifications to present tax concessions are needed. Concessions currently granted include income tax relief for pioneer industries and initial income tax allowances for capital investment by all business enterprises. If warranted, changes will be instituted to achieve a higher rate of investment in those manufacturing activities which will maximise returns to the economy. Specific measures may also be taken to encourage private resources to flow from less desirable activities into the dynamic areas of the manufacturing sector.

INDUSTRIAL CREDIT

388. The major source of medium and long-term credit for industrial development will continue to be MIDFL. The remaining share of its capital which is due from the Federal Government, amounting to \$1.0 million, and the balance of \$15.0 million of the Government loan of \$37.5 million will be paid to the company during the coming five-year period.

389. The World Bank has agreed to consider requests from MIDFL for loans amounting to three times the sum of the share capital of the Company (\$25 million) and the Government loan (\$37.5 million). This will provide a potential source of loan funds from the World Bank amounting to \$187.5 million. The aggregate potential resources of the Company are therefore \$250 million, of which \$44 million has already been committed.

390. MIDFL is thus well placed to serve the medium and long-term credit needs of industrialists who require assistance for investment in Malaysia. In addition to enlarging its capacity for the extension of credit, MIDFL will expand and strengthen its ability to provide technical and management

assistance to its clients as well as to underwrite capital issues and organise turn-key projects.

391. In addition to projects undertaken by MIDFL in the Borneo States, the Borneo Development Corporation Limited will continue to serve the needs of industrialists in these States. The Corporation will do this by developing industrial sites and providing factory mortgage. To assist in these operations, the State Governments of Sabah and Sarawak will together contribute \$4.2 million in additional capital for the Corporation.

392. It is hoped that commercial banks also will play a larger role in the provision of short-term credit for working capital. Although the amount of credit made available to industrial enterprises is rapidly increasing, it is still small relative to the needs of industrialists. It is therefore essential that commercial banks should make every attempt to increase their loans and advances to industrial enterprises.

SMALL-SCALE INDUSTRIES

393. In recognition of the particular difficulties confronting small industries in securing adequate financial resources, special attention will continue to be given to their needs by the government. Majlis Amanah Ra'ayat (MARA) and Bank Bumiputra will deal with the problems of indigenous entrepreneurs. In addition, there is the rural co-operative movement, which will continue to assist its members both financially and technically in the establishment and operation of industries for the processing of agricultural products. MIDFL also will increase its activities for small entrepreneurs. It will continue to accept requests for loans as small as \$50,000; provide hire purchase finance for the acquisition of industrial machinery and equipment and factory mortgage finance for factory development projects; and initiate and participate in tripartite credit and guarantee arrangements with local agencies. In addition, Malayan Industrial Estates Limited (MIEL), a subsidiary of MIDFL which was established solely for small industries, will intensify its activities in building factories for sale on credit terms to industrialists. Factory buildings of different sizes will be constructed in advance of demand if need be, so that a potential manufacturer will have a choice among several alternative buildings.

INDUSTRIAL SITE DEVELOPMENT

394. To supplement the provision of fiscal and other incentives for industrial development, the programme for industrial site development will be expanded during the next five years. An allocation of \$14.0 million has been earmarked in the Plan for this purpose. Under this programme,

development sites with access to basic utilities such as roads, water and power will be made available. The construction of the factories themselves will be left to industrialists. However, as was indicated above, facilities exist within MIEL to help small industries to acquire needed buildings and other facilities for their operations.

INDUSTRIAL TRAINING

395. The various technical and apprenticeship training programmes in the country will continue to be expanded to provide a wide range of trained personnel for industrial organisations. Action is already underway to expand the activities of the Central Apprenticeship Board and the Industrial Training Institute so as to produce greater numbers of trained technicians and supervisory personnel to complement those trained by private organisations through their own training schemes. The allocation for this purpose is discussed in detail in Chapter XI. The National Productivity Centre, which was established with U.N. Special Fund assistance in 1961, will intensify its work of training supervisory and managerial personnel at all levels of Malaysian industry. The objects of this training will be to make industrial operations more efficient, to improve the quality of output, to lower costs and to develop better labour-management relations. During the next five years work will also be initiated in providing consultancy services and training in upgrading marketing and sales practices. The provision for the Centre in the Plan is \$0.2 million.

INDUSTRIAL RESEARCH

396. As for the other sectors of the economy, soundly-based research activity will be of the utmost importance for progressive industrial development. Recognising, however, that only the largest enterprises will be able to undertake this function, the government will establish under the First Malaysia Plan a National Institute of Scientific and Industrial Research, for which \$5.0 million has been included in the Plan. The Institute will seek not only to provide all industrial enterprises with the necessary scientific and technical support but also to study the possibilities for and the problems associated with the industrial processing of materials available from local sources.

397. The government will also set up an autonomous Malaysian Standards Institute, for which an allocation of \$0.1 million has been made in the Plan. Initially the Institute will concentrate on industrial standards to ensure that the specifications of domestically produced and

imported manufactured articles meet the particular requirements of the domestic market and, in the case of Malaysia's exports, the requirements of overseas markets. In this way, imports of reliable quality at lowest cost will be possible; local industrial establishments will be able to manufacture goods which will satisfy domestic requirements and compete with imports; and domestic enterprises will be able to manufacture products which will find acceptance in international markets.

LEADERSHIP IN PROMOTION AND CO-ORDINATION: FIDA

398. While the promotional measures discussed above will be the specific responsibilities of a number of agencies, their effectiveness will necessitate not only that they be dynamically implemented but also that they be geared to the attainment of common objectives. To ensure the existence of the necessary impetus for such purposeful, positive and co-ordinated promotional action, legislation was passed in 1964 for the establishment of the Federal Industrial Development Authority (FIDA), for which an allocation of \$5.0 million has been made in the Plan. Action is currently being taken to secure an international expert as the executive head of the Authority. It is hoped that the Authority will begin functioning before the end of 1966.

399. In addition to ensuring co-ordination of the activities of all organizations concerned with industrial promotion, FIDA will supplement the activities of these organizations by preparing for the use of potential investors feasibility studies which will be designed to determine whether a prima facie case exists for local production. On the basis of its feasibility studies and the work of the National Institute of Scientific and Industrial Research, the Authority will arrange for the promotion of promising industrial projects through intensive domestic and foreign publicity, either on its own or in conjunction with other agencies concerned. The Authority will also advise the government on the administration of all industrial incentive programmes and industrial site development. With regard to the latter it will undertake the development of such sites in appropriate cases.

400. To encourage the exploitation of promising industrial possibilities as early as possible, a well-known international firm of industrial and management consultants was commissioned in 1965 to prepare a number of specific industrial feasibility studies. These include studies on the feasibility of investment in dairy products, animal feed, tapioca starch, leather tanning and forest products industries. The reports on these potential projects will be published in the early part of 1966 and will incorporate information on raw materials, labour availability, production costs, market possibilities, investment requirements and related matters that will be of use to interested entrepreneurs.

X.—PARTICIPATION OF THE BUMIPUTRA IN INDUSTRIAL DEVELOPMENT

401. In view of the relative lack of capital and industrial know-how among the lower income groups, which comprise in the main the Bumiputra, their participation in industrialisation will require that they be provided with the necessary facilities and opportunities to do so.

402. Towards this end, MARA is being provided in the First Malaysia Plan with a substantial allocation of funds, amounting to \$70 million, to enable it to assist the Bumiputra to play their part in industrial development. The principal activities of MARA will comprise education and training, provision of technical and financial assistance, establishment of new industrial enterprises and management of these enterprises in the initial stages, with a view to the ultimate transfer of their ownership to the Bumiputra themselves.

403. The training programme that will be undertaken will be an extensive one. It will be designed to provide training opportunities for existing entrepreneurs, young people desiring to prepare themselves for careers in commerce and industry and the staff of MARA itself. For these purposes, scholarships will be provided at Malaysian and overseas centres, while the MARA College of Business Studies will be expanded to treble the output of trained personnel.

404. The technical assistance programme of the Authority will cover the provision of advisory services to the Bumiputra with regard to management, marketing, engineering, production, accounting and other fields as needed. Where necessary, such assistance will also be supplemented by the extension of credit.

405. In its more direct role in industrial and commercial development, MARA will participate in direct and joint ventures with local and overseas concerns with a view to ultimately transferring such enterprises, or MARA's share in them, to the Bumiputra. Possible projects include production of white cotton cambric and printing of batek, manufacture of rattan furniture and wrought iron products, tanning of hides and skins, sawmilling and related industries. MARA also will continue with its work of purchasing raw materials and finished products in bulk for sale to producers whenever such bulk purchases lower costs and assure regular supplies. Such activities are already being undertaken in the import of white cotton cambric for sale to batek makers, the purchase of spent cartridges and shells from the Ministry of Defence for sale as scrap brass to brassware makers and the purchase of silk and metallic yarns for sale to songket weavers. In addition, MARA will supplement the functions of the National Investment Company by buying shares reserved for the Bumiputra in pioneer and other companies and holding them until they can be sold to the Bumiputra.

406. The range of services and facilities that will be provided by MARA are wide and should go a long way towards assisting the Bumiputra to participate effectively in the industrial and commercial development of the country. In the final analysis, however, such an achievement will depend not so much on the number and amount of loans which MARA provides, the magnitude and range of technical assistance it gives, the number of people it trains or the number of industrial projects it initiates, but very much more on the response of the Bumiputra in availing themselves of these facilities and services and in putting them to good and proper use.

X.—ALLOCATIONS FOR PUBLIC SECTOR DEVELOPMENT EXPENDITURE

407. Public sector development expenditure for mining and industrial activities amounts to \$115.8 million, as shown in Table 8-1.

TABLE 8-1

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR MINING AND INDUSTRIAL DEVELOPMENT, 1966-70

	(\$ millions)							
Geological Survey Department	0.8
Mines Department	0.5
Malaysian Industrial Development Finance Ltd.	16.0
Industrial Estates	14.0
National Institute of Scientific and Industrial Research	5.0
Standards Institute	0.1
National Productivity Centre	0.2
Federal Industrial Development Authority	5.0
Majlis Amanah Ra'ayat	70.0
Borneo Development Corporation Ltd.	4.2
							TOTAL	115.8

408. External financial assistance will continue to be provided by the World Bank for MIDFL. In addition, technical and financial assistance will be sought from foreign governments and international institutions for all the above projects and in particular for the activities of FIDA, MARA and the industrial research establishments.