

CHAPTER X

Manufacturing

I.—INTRODUCTION

455. Manufacturing is a strategic sector for the achievement of the objectives of the New Economic Policy. Under the Second Malaysia Plan it will play an expanded role in the process of modernising and restructuring the economy. Activities in this sector are especially important in the Plan's aims to eradicate poverty by expanding employment and to create a Malay commercial and industrial community. Manufacturing is also important in the development of new activities in areas now heavily dependent upon agriculture for employment and growth.

II.—REVIEW OF PROGRESS

456. During the decade of the 1960's manufacturing was the most rapidly growing sector. Over the period the average annual growth rate in *West Malaysia* was 10.2% as compared to 5.5% for GDP. In 1960 value added in manufacturing contributed 8.5% of GDP and in 1970, 13.1%. Over the decade 19.6% of the increment of GDP originated in the manufacturing sector. During the First Malaysia Plan period the rate of growth of net manufactured output was nearly twice that of overall output, i.e., 10.4% compared to 5.4% per year. These figures represent real and dynamic changes in the structure of the economy as price changes were insignificant.

457. Manufactured *exports* from West Malaysia showed even greater dynamism. Over the decade their average annual growth rate was 14.2%. By 1970 an absolute level of \$515 million was achieved as compared to \$282 million in 1965. Exports of manufactured products grew at more than twice the rate of total exports. In 1960 manufactured products comprised less than 5% of total exports, while by 1970 they exceeded 10%. It is also significant that the rate of growth of manufactured exports was higher than that of net manufactured output, indicating that Malaysia's industries were becoming increasingly export oriented. The data in Table 10-1 include

shipments of manufactured goods from West Malaysia to Sabah and Sarawak, which have grown rapidly in recent years. In 1970 about one-fifth of West Malaysia's gross exports of manufactured goods went to East Malaysia. Even allowing for this source of increased demand, the points made concerning the growing importance of manufactured exports remain valid.

TABLE 10-1

MANUFACTURING OUTPUT, EMPLOYMENT AND EXPORTS,
WEST MALAYSIA, 1960-70

						<i>Value added</i> (\$ million)	<i>Employment*</i> (000)	<i>Gross value of manufactured exports†</i> (\$ million)
1960	...	...	...	...	...	425	—	136
1961	...	...	...	...	...	408	—	174
1962	...	...	...	...	...	451	192	179
1963	...	...	...	...	...	515	—	189
1964	...	...	...	...	...	593	—	240
1965	...	...	...	...	...	682	217	282
1966	...	...	...	...	...	753	—	314
1967	...	...	...	...	...	853	261	317
1968	...	...	...	...	...	941	—	362
1969	...	...	...	...	...	1,044	—	410
1970	...	...	...	...	...	1,118	270	515
<i>1966-70:</i>								
Average annual growth rate (%)	...	...	...	...	...	10.4	4.5	12.8
Total increase	...	...	...	...	...	436	53	233

458. Estimates of *employment* in manufacturing in Table 10-1 include full-time, part-time and unpaid family workers. Between 1962 and 1967 employment in the sector grew at 6.3% annually. During the First Malaysia Plan period, about 53,000 new jobs were created, with employment growing at an average annual rate of 4.5% as compared to 10.4% for net manufacturing output. Full-time paid employment grew more rapidly. Generally, employment grew about half as rapidly as net output.

* Data available only for Survey and bench-mark years.

† Defined as Standard International Trade Classification Sections 5 to 8, excluding tin, plus petroleum products and preserved fruits and other fruit preparations; re-exports of imported items are included.

✓459. Within the sector in West Malaysia there was marked variation in the performance among individual industries. Data from the 1963 and 1968 censuses of manufacturing show that the average annual rates of growth of value added ranged from 4% to 35%, while in a few industries net output even declined. The leading industries in terms of value added were food, wood products, off-estate processing (rubber, coconut and tea), chemicals and chemical products and non-metallic mineral products. These industries accounted for more than half of the total value added and about 44% of the total employment in the manufacturing sector. However, in terms of the *rate of growth* of output and employment, the textiles, basic metals, electrical and non-electrical machinery and assembly of motor vehicles industries grew two to three times as rapidly as the leading industries. Preliminary data from the Survey of Manufacturing Industries, 1969 show that in the establishments covered by the Survey value added grew by 28% and full-time employment by 14% in that year. There was marked growth in many industries, including off-estate processing, wood products as well as food industries. The high rates of output growth achieved in the new and relatively small industries in the categories of intermediate and capital goods, such as assembly of motor vehicles, primary iron and steel, boat-building and fertiliser, show that they are rapidly growing in importance in the manufacturing sector.

460. Malaysia's industrial growth during the 1960's was based essentially on the activities of private enterprise. Besides the existence of political and financial stability in the country and the availability of infrastructure facilities of various kinds, a major factor accounting for the rapid growth in manufacturing was a series of positive measures taken by the Government to encourage private investment in this sector. The most important of these was the Pioneer Industries Ordinance of 1958, which was subsequently replaced and improved upon by the Investment Incentives Act of 1968. Under this Act, exemption from company tax, relief from payroll tax, investment tax credit, accelerated depreciation allowances and export incentives have been granted to approved companies. In addition, tariff protection and exemption from import duty and surtax were granted to facilitate the establishment of new activities. The streamlining of the procedure for processing and approval of the applications for incentives was one of the important measures which resulted in a marked increase in late 1969 and 1970 in the number of firms granted pioneer and other incentives. Furthermore, useful information has been provided by pre-investment, project and regional studies undertaken by the Federal Industrial Development Authority (FIDA). Other measures include the provision of technical

and managerial advice to existing firms and overseas promotional campaigns to provide larger external markets for Malaysian products as well as to attract more foreign investment.

461. The Malaysian Industrial Development Finance Berhad (MIDF) and its subsidiary company, the Malaysian Industrial Estates Ltd. (MIEL), continued to play a vital role in providing loans to industrial ventures and in constructing factory buildings for sale and rental at reasonable prices and terms. At State level the progress made in developing existing and new industrial estates provided further impetus to the expansion of the manufacturing sector.

462. For *East Malaysia*, data in respect of the industrial origin of State GDP are only available for 1967-70. In *Sabah* value added in manufacturing grew at 3.6% per year from \$18 million in 1967 to \$20 million in 1970. It accounted for less than 3% of Sabah State GDP in 1970.

463. The 1968 Survey of Manufacturing Industries in Sabah, which covered firms producing about 70% of value added in the sector, shows some 2,800 people employed in manufacturing activities. Sawmills and plywood factories accounted for 25% of the value added and about 38% of the employment. Food processing was the second largest activity, accounting for about 18% of value added and 14% of employment. Motor vehicle repairing contributed more than 10% of output and employment in the sector. Most of the firms were relatively small. Of the 200 firms covered by the Survey about 120 accounted for one-sixth of the sales and about one-fourth of total employment. Exports of sawn timber and other wood products are increasing rapidly though log timber still constitutes the bulk of the exports from the timber industry.

464. In *Sarawak* value added in manufacturing increased at an average of 5.6% per year over the three years and by 1970 amounted to \$80 million or 8.8% of the State GDP. Available data on the composition of manufacturing output in Sarawak show that petroleum products accounted for 40% of value added, but supplied only 7% of manufacturing jobs. Wood products generated some 30% of value added in manufacturing, while employing one-half of total manufacturing employment. About one-third of manufacturing establishments were engaged in food processing, but they provided only 5% of value added and 9% of the jobs. Over the period the growth in manufacturing output was due principally to the increased production of petroleum. Sarawak accounted for about 80% of Malaysian

exports of petroleum products but a large portion of these arose out of refining and processing of crude petroleum from Brunei. Exports of manufactured wood products constituted an important portion of Sarawak's manufactured exports.

465. About 62% of the *share capital of limited companies* operating in West Malaysia in 1969 was held by foreigners through foreign controlled companies, non-residents and West Malaysian branches of companies incorporated abroad. Among Malaysians, Chinese and Indians owned 23.7% and Malays and Malay interests only 1.5%. The remainder was owned by Federal and State Governments, nominee companies, other individuals and locally controlled companies. The large foreign share reflects to some extent the response by foreign investment to the Government policy of encouraging both foreign and domestic investment in the economic development of the country.

466. Firms under individual proprietorships and partnerships are mainly in the hands of Malaysians but the Malay share is substantially less than that of non-Malays. Though such firms comprise 86% of total manufacturing establishments, in terms of value added they account for only 22% and in terms of capital assets only 10%.

467. Progress was made in increasing *Malay participation* in the manufacturing sector. In terms of employment in the sector, Malays accounted for about 30% of the total in West Malaysia in 1970 as compared to 27% in 1962, and 19% in 1957. The rate of growth of Malay employment was more rapid than that of total employment in the sector. However, the Malay share of employment is still inadequate especially in the higher skill jobs and in managerial positions.

468. The measures to increase participation by Malays and other indigenous people in both the corporate and non-corporate areas of the manufacturing sector are discussed in a later Section of this Chapter.

III.—OBJECTIVES AND TARGETS UNDER THE SECOND MALAYSIA PLAN

469. The targets for the manufacturing sector in the Second Malaysia Plan are demanding as this sector will play a vital role in achieving the objectives of the New Economic Policy. The achievement of these targets requires new and dynamic policy measures. In this Section the principal targets are enumerated, followed by a discussion of the means by which these targets are to be realised.

470. *Output.* The growth of value added in manufacturing in West Malaysia averaged 10.4% per year during the First Malaysia Plan period. For the manufacturing sector to act as a major source of dynamism, growth must greatly exceed this performance. Under the Second Malaysia Plan, value added is targetted to grow by at least 12.5% per year from \$1,118 million in 1970 to \$2,014 million in 1975. This represents more than an 80% increase over the Plan period. In relation to the projected rate of growth of GDP, at least 27% of the increment of GDP will originate in the manufacturing sector compared to about 19% during the 1960's. As a result, value added in manufacturing as a proportion of GDP will rise from 13% in 1970 to 17% in 1975. It is estimated that over the Plan period a total investment of about \$1,850 million will be required to obtain this output target. The Government will provide a total of \$330 million for investment in manufacturing. Of this, \$230 million represents financing of private sector investment (such as through PERNAS and MIDF) and \$100 million publicly owned or joint venture enterprises through MARA and SEDC's.

471. This output target represents a 20% increase over the annual growth rate achieved under the First Malaysia Plan and constitutes more than a doubling of the increment of value added over the period as compared to 1966-70 (*see* Tables 10-1 and 10-2). This rapid increase is feasible. On the supply side no major difficulties are expected. As noted in Chapter VI, financial resources should be available to finance development in this sector. A possible bottleneck is the shortage of certain categories of manpower but this will be overcome by intensifying the training of Malaysian personnel as well as by using foreign expertise, especially at the executive and professional levels.

472. On the demand side, there are further prospects for import substitution in capital, intermediate and consumer goods. Imports of these goods still supply more than 45% of the domestic market. Areas in which industries may be established to cater for the domestic market include food products, metal and non-metallic products, electrical and non-electrical machinery and transport equipment. However, domestic demand alone will not be sufficient to absorb the output at the level projected in Table 10-2. With GNP projected to grow at 6.5% per year, domestic demand for such goods is expected to grow at 10% during the period. Therefore, exports will play a crucial role in achieving the output target for the sector.

TABLE 10-2

MANUFACTURING OUTPUT, EMPLOYMENT AND EXPORTS,
WEST MALAYSIA, 1970-75

	1970 (preliminary)	1975 (target)	Average annual growth rate (%)	Total increase
Value added (\$ million)	1,118	2,014	12.5	896
Employment (000)	270	378	7.0	108
Gross value of manufactured exports (\$ million)†	515	1,036	15.0	521

473. *Exports.* The target rate of growth for gross value of exports is 15% as shown in Table 10-2. This represents an increase of more than 17% over the annual growth achieved during the First Malaysia Plan period. This target is considered to be a minimum. The achievement of this growth rate would mean that about 35% of the increment in the value of all exports over the Second Malaysia Plan period will be manufactured products, whereas in 1970 these accounted for about 10%. The value added component of gross exports must also rise significantly if the demand for manufactured products is to keep pace with the targetted increase in output. The structural changes to be generated under the Second Malaysia Plan are reflected in the substantial increase in the role of manufactured exports. The emphasis on growth of exports requires Malaysia to respond effectively to the challenges of the world market.

474. Industrial development in the *East Malaysian States* during the Plan period will be based largely on the processing of primary resources such as timber, petroleum and other minerals, and of agricultural products such as pepper, rubber, palm oil and coconuts. These industries will be mainly geared towards export markets. The expected rapid expansion of the fishing industry will facilitate the development of fish processing industries. Prospects exist for industries producing consumer goods for the domestic market.

475. An Industrial Potentiality Survey for Sabah, conducted by FIDA in 1970, revealed that there is considerable scope for the establishment of a wide range of industries processing timber, agricultural products and minerals as well as for the manufacture of selected consumer goods. For Sarawak, a similar study will be carried out.

† Defined as Standard International Trade Classification Sections 5 to 8, excluding tin, plus petroleum products and preserved fruits and other fruit preparations; re-exports of imported items are included. ✓

476. The implementation of the industrial projects identified by these studies will considerably increase the value added in manufacturing in the two States and will also contribute to the realisation of the overall output targetted in the Plan.

477. Within the overall output target two other elements of the strategy are of importance from the point of view of the objectives of the Plan. These are the development of small-scale industries and the dispersal of industries to achieve more balanced geographic distribution of industrial activity.

478. An important area of attention in the manufacturing sector during the Plan period will be the promotion of *small-scale industries*. Such industries can play a particularly useful role in Malaysia's industrial development at the present time. Besides contributing to output growth in the sector, they can support and complement the activities of larger industries, particularly in supplying intermediate input requirements. They also facilitate the greater utilisation of domestic raw materials and contribute significantly to employment growth. New entrepreneurs, with limited finance and technical skill, can more easily gain entry into the industrial sector through such small-scale operations. Because of the relatively small demand they make on infrastructure facilities, such small-scale enterprises can be established in rural areas and thus help in the modernisation of the rural environment. They can also be a vehicle for the development of the traditional crafts and skills in the country. During the Plan period, a wide range of management, technical and financial assistance will be provided to encourage the development of small-scale industries and to integrate them into the modern industrial sector.

479. The establishment of *manufacturing activities in the less developed areas* of the country represents an important dimension of the industrialisation programme of the Plan. It is also an important part of the strategy to modernise the less developed areas in both East and West Malaysia and to foster the development of new growth centres and new townships. The Plan envisages that as new growth centres are identified and developed new industrial activities will be brought into these areas to facilitate their development. Opportunities for industrial projects will arise from the opening up of new areas, the development of infrastructure facilities and the integration of the less developed areas into the modern economic sectors.

480. The Government itself will actively promote the dispersal of new industrial activities by directly participating in the establishment of new enterprises and by providing special incentives and facilities for the location

of new economic ventures in such areas. The development of industries in new growth centres will diversify job opportunities in areas now dependent upon agricultural activities and facilitate greater participation by Malays and other indigenous people in the manufacturing sector and in other modern economic activities, thus speeding up the process of modernisation of the rural areas.

481. *Employment.* The manufacturing sector will play a key role in achieving the employment target of the Plan. The target envisages a 40% increase in employment in West Malaysian manufacturing, from 270,000 in 1970 to 378,000 by 1975. The 108,000 new jobs so created over the period represent about 22% of the 495,000 new jobs to be generated in West Malaysia under the Plan. The attainment of this target will require policies to bring about the adoption of techniques which use more labour and the establishment of labour-intensive industries, such as textiles, electronics and ship-building.

IV.—POLICIES AND MEASURES FOR ACHIEVING THE OBJECTIVES

482. The objectives outlined above will require the implementation of significant new policies and measures by the Government and the full co-operation of the private sector.

483. To obtain a growth rate of value added in manufacturing of 12.5% per year will require an estimated investment of over twice the amount attained under the First Malaysia Plan, or about \$1,850 million. The realisation of this high level of investment is dependent upon a number of factors. Especially important are the growth of the economy, fiscal and monetary policies, development of infrastructure, administrative procedures, wage and material costs and general political and social stability. In all these respects, the Government will create a climate conducive to rapid growth in investment.

484. The Government, particularly through the Capital Investment Council (CIC), will also assist in the identification of manufacturing opportunities, undertake the promotion and development of viable projects so identified, improve and extend industrial incentives and further streamline the administrative procedures to expedite project implementation. Tariff protection will continue to be provided to infant industries to enable them to develop and meet foreign competition. The granting of tariff protection will take into account the labour intensity of the industry, use of domestic raw materials,

its location and the expected increase in efficiency. The Government will review and, where necessary, revise tariff policies and procedures with a view to promoting the early establishment of new industries.

485. The incentives provided under the Investment Incentives Act, 1968, will continue but will be modified to induce greater use of labour relative to capital. The abolition of the payroll tax in the 1971 Budget provides additional encouragement to use more labour. Finally, incentives will be provided to encourage in-service training and thereby facilitate increased employment and skill creation.

486. Apart from measures to increase domestic investment, the Government will encourage the inflow of more foreign investment. For this purpose it will establish investment promotion centres in selected countries. It will also enter into double taxation and investment guarantee agreements with more countries. Foreign investors enjoy the freedom to transfer capital and profits to Sterling Area countries while transfers to other countries are subject only to nominal control. This policy will continue.

487. Special attention will be given to the improvement of the export performance of Malaysian manufacturers. The Government will improve the export incentives under the Investment Incentives Act, 1968. In addition, a National Export Advisory Council, comprising members from the public and private sectors, has been set up to look into all aspects of improving export performance. Under consideration is the introduction of an export insurance scheme. Information on foreign markets, transportation costs and trade policies of foreign countries will be made available to Malaysian exporters. Free trade and export processing zones are being established in selected parts of Malaysia. Emphasis will be given to the continued improvement in the efficiency of production and in the quality of exports. These measures will enhance the ability of Malaysian manufacturers to compete in world markets.

488. To promote the establishment of industrial activities in the less developed areas of East and West Malaysia, a range of new measures will be initiated.

489. FIDA and MIDF will establish more offices outside Kuala Lumpur to undertake promotional activities in various regions and to provide other services required by investors. In addition, FIDA will work in close conjunction with the SEDC's in the establishment and management of new industrial estates in selected locations. The co-operation of FIDA in

this role will result in the industrial estates being more suitably designed for the needs of investors. Regional development plans now being prepared for a number of States will incorporate measures for the establishment of new growth centres and townships in these areas. The data and information provided in these regional masterplans will help identify specific opportunities for manufacturing and other activities in these centres and townships. The broad perspective of the long-range growth prospects of these regions provided by these masterplans will also be of considerable value to entrepreneurs and the Government in the promotion of industrial activities within these regions.

490. The branch offices of commercial banks are being encouraged to play a more active role in development activities in their regions. They are expected to provide more lending and advisory services to local investors, as well as to mobilise an increasing amount of local savings.

491. In addition to these measures, the Government will provide new incentives to encourage industries to locate their plants outside of the main urban centres. The structure of power, water and transportation rates is being reviewed to ensure that such rates will stimulate the location of industry in less developed areas. The provision of transportation and power facilities over the Plan period is also designed to facilitate the achievement of this objective. Also, the location of a prospective industry is now one of the factors in granting it approved status. The present one year extension of tax holiday for an activity located in a "development area" will be continued. To ensure that the lack of social services (e.g. housing, health centres and schools) does not impede the location of industry in the new regions, the Government will provide social infrastructure facilities in addition to physical infrastructure in these areas. An appropriate system of incentives will be devised to overcome some of the problems of costs, particularly those relating to power, water and transportation rates and the costs of housing and training, where the present incentives to investors do not adequately meet such costs in less developed areas.

492. Besides providing these incentives and facilities, the Government will also take an active part in promoting the establishment of manufacturing activities in smaller towns, new townships and selected growth areas. Public sector institutions, such as MARA and SEDC's, will endeavour to establish wholly-owned enterprises and joint ventures with private interests in a variety of manufacturing activities. These will include consumer goods items and intermediate products for other industries, as well as export products based on agricultural and other resources in these areas.

493. The Government will also implement a number of measures to foster the development of small-scale industries. These measures will include various forms of assistance such as credit facilities and technical consultancy services. For this purpose, a small-scale industry consultancy service will be established by the MIDF. Through public agencies such as MARA, SEDC's and FIDA, the Government will undertake the establishment of small industries in smaller towns and rural areas, and assist in the marketing of their products, bulk purchase of raw materials and in upgrading the technology and management of these industries.

494. A National Institute of Scientific and Industrial Research (NISIR) has been established within the Ministry of Technology, Research and Local Government. The main objective of NISIR is to facilitate industrial development through research. Special attention is to be given to research to adapt or modify processes and technologies to suit available resources and to find new uses for locally available raw materials. It will offer advice to industrial enterprises on the appropriate type of technology and industrial processes, including the choice of machinery and raw materials.

495. Proper standards in relation to commodities, processes and practices will be developed and promoted by the Standards Institution of Malaysia (SIM) to facilitate industrial efficiency and to promote public and industrial welfare, health and safety.

V.—CREATION OF A MALAY COMMERCIAL AND INDUSTRIAL COMMUNITY

496. Greater *participation by Malays and other indigenous people* in manufacturing and commercial activities is a fundamental objective of the Plan. Such participation applies to ownership and management as well as employment. The Government has set a target that within two decades at least 30% of the total commercial and industrial activities in all categories and scales of operation should have participation by Malays and other indigenous people in terms of ownership and management. The objective is to create over a period of time, a viable and thriving Malay industrial and commercial community which will operate on a par and in effective partnership with non-Malays in the modern sector. The manufacturing and commercial sectors are especially important in the achievement of this target. During the Second Malaysia Plan period, the objective is (i) to ensure that significant progress is made towards the achievement of this target, and (ii) to establish institutions and arrangements through which the identification of race with economic activity is progressively reduced. Emphasis is also

placed on accelerating the growth of employment of Malays and other indigenous people at all levels in manufacturing activities so as to reflect the multi-racial composition of the population.

497. The Government will implement a series of policy measures directed at the rapid creation of an effective Malay entrepreneurial class. Elements of such a policy will include:

- (i) special measures to promote Malay entrepreneurship and ensure adequate supply of finance;
- (ii) accelerated development of the necessary skills and attitudes among Malays and other indigenous people;
- (iii) facilities and support for Malay and other indigenous traders and small businessmen to acquire or rent suitable and well-located premises;
- (iv) wider and more active participation by the public sector;
- (v) the design of measures to enlist the assistance of non-Malay and foreign-owned commercial and industrial establishments in providing to Malays and other indigenous people in-service training, technical and advisory services, co-operation in marketing and purchasing activities, and in the financing of new enterprises;
- (vi) the application of policy instruments to foster balanced development in existing urban areas and new growth centres;
- (vii) a new approach with specially designed and vigorously implemented policies to bring commercial and industrial activities and life within reach of the rural Malays and other indigenous people; and
- (viii) comprehensive and intensive planning and research for the efficient design and implementation of commercial and industrial growth and policy.

498. *Entrepreneurship and business skills* take time to develop. Specific steps will be taken to cultivate the development of these skills. Education and training programmes will be designed to provide Malays and other indigenous people with basic knowledge of business management and administration. Opportunities in business and commerce will be identified for participation by Malays and other indigenous people and the requisite support of finance, technical assistance and other facilities will be provided. In a number of cases, the Government itself will initiate the setting up of enterprises and train Malays and other indigenous individuals to take them over in due course. Non-Malay and foreign enterprises will also be

encouraged to participate in the development of Malay and other indigenous executives, managers and entrepreneurs. Highlights of these measures are given below.

499. An important measure for facilitating entry of Malays and other indigenous people into the industrial sector is the provision of accelerated opportunities for technical, agriculture, vocational and business training. The MARA Vocational Schools, MARA Institute of Technology, the Ministry of Labour and Manpower and the National Productivity Centre will be training more Malays and other indigenous people for industry. These training programmes will be supplemented by on-the-job training programmes sponsored and supervised through the Ministry of Labour and Manpower and MARA. Further, as the Government exchange programme of personnel between the private and public sectors gets underway, it will enable more Malays and other indigenous people to gain management experience and to participate in industry. These programmes are elaborated in Chapters VII and XIV.

500. Existing institutions such as MARA, Bank Bumiputra and MIDF have been successful in achieving the objectives for which they were established. However, no institution exists which is charged with the comprehensive responsibility for encouraging and assisting Malays and other indigenous people in identifying, initiating, developing, implementing and managing ventures through the various stages of an enterprise. Under the Second Malaysia Plan, therefore, the Government is determined to ensure that these handicaps are overcome, and for this purpose the Government will establish a new development bank.

501. At the same time, facilities will be developed to increase Malay and other indigenous ownership of capital assets, particularly the equity capital of enterprises in the modern sectors of the economy. In the initial stage where such institutions as MARA, PERNAS and SEDC's take up equity shares in joint ventures with the private sector, such shares will eventually be transferred to individual ownership of Malays and other indigenous people. In this connection, their household savings will be mobilised and invested through unit trusts and other investment channels. To encourage shares bought by or allocated to them to remain within the community, the Government will promote the development of a stock exchange based on the trading operations initiated by the MARA Unit Trusts.

502. *Business premises and complexes.* In the Federal Capital, in State capitals and other major towns in which Malay and other indigenous traders are not equitably represented, the Government will identify areas

and earmark them for their use as commercial establishments. In so doing, the Government will avoid the creation of racially exclusive commercial areas. The establishment of the Urban Development Authority (UDA), to operate initially in the Kuala Lumpur area, will lead to significant advances being made in this regard. In carrying out its functions of urban renewal and development, the UDA will give priority consideration to the implementation of projects through which Malay and other indigenous businesses can operate in the main commercial areas. It will identify, acquire and develop suitable land for commercial buildings. It will also purchase or lease private commercial buildings as and when they become available. As the main body responsible for urban development it will co-ordinate the activities of MARA and SEDC's in undertaking urban commercial and housing projects and, with the co-operation of the State Governments, ensure that suitable State and reserve lands are released for commercial development, particularly for Malay and other indigenous business. The UDA will also provide such other assistance as is needed so that Malay and other indigenous businessmen can rent premises and make optimum use of the facilities.

503. In smaller towns and particularly in new growth centres, measures will be designed to ensure that Malay traders will benefit from the opportunities for commercial activities that are created as regional and industrial development proceeds. Such measures will include the reserving of shop-houses and market stalls for these traders.

504. To facilitate the development of Malay entrepreneurship in *construction* activity, a construction corporation under PERNAS will be established. The main objective of PERNAS in forming this corporation is to provide the organisation and advisory services to ensure that Malay contractors become increasingly able to compete with non-Malays and foreign builders. Preferences for Malay and other indigenous contractors in Government construction will be extended to cover contract works of all values as a further means of bringing about racial balance in the construction industry.

505. In *mining* also new measures will be introduced to bring about a greater role for Malay and other indigenous ownership and management as well as employment. Attention will be given to increasing Malay participation in all forms of mining, including offshore mining. The Government's role will be concerned with explorations to locate areas, both inside and outside Malay Reserves, where tin ore exists and to provide technical and financial support to potential Malay and other indigenous entrepreneurs. This role will be performed in co-operation with State Governments.

506. *Public sector participation.* The Government will also initiate industrial and commercial ventures and enterprises through institutions such as MARA, PERNAS, UDA and SEDC's in both urban and rural areas. Such enterprises will be turned over to individual Malay and other indigenous ownership and management as soon as possible. Direct investment by the Government in industrial and commercial activities is intended to provide training and opportunities for learning by Malays and other indigenous people as well as to ensure that viable economic projects are made available to prospective entrepreneurs from this community. These activities by the Government will be carefully selected to ensure that they do not unnecessarily impede private sector development.

507. These are important steps in promoting a unified Malaysian society through the gradual elimination of the identification of race with economic function. While the measures outlined above are being implemented, a substantial research and planning effort will be undertaken and existing measures evaluated to strengthen programmes to promote greater participation by Malays and other indigenous people in commerce and industry. Care will be taken to ensure that such programmes and measures and their implementation will contribute to the overall growth of the economy. Such growth is important to ensure that all Malaysians obtain a fair share of the benefits of development.

508. The allocations in the Plan for commercial and industrial activities are shown at the end of Chapter XI.