

INVESTMENT PROMOTION, STRATEGIES, POLICIES AND PRACTICES – MALAYSIA'S EXPERIENCE

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MALAYSIA – Vital Statistics (1999)

Area	329,735 sq km
Population	22.7 million
Malaysian Citizen	21.1 million
Racial Composition:	
Malays	13.2 million
Chinese	5.6 million
Indian	1.6 million
Others	0.7 million
Non-Malaysian Citizen	1.6 million
Labour Force	9.0 million

Source: Department of Statistics, Malaysia.

Social Indicators (1999)

Unemployment Rate	3.0%
Overall poverty	7.5%
Life Expectancy (Male) (Female)	69.9 years 74.9 years
Literacy Rate	89.7%

Source: Economic Planning Unit, Malaysia.

Economic Indicators (1999)

Real GDP	US\$ 50.7 billion
Real GDP Growth	5.6%
Consumer Price Index	2.8%
Merchandise Exports	US\$ 84.6 billion
Merchandise Imports	US\$ 61.1 billion

Source: Economic Planning Unit, Malaysia.

Trading Partners (1999)

Country/Region	% share
ASEAN	23.6
EU	13.6
USA	19.9
Japan	15.6
NIEs	12.4
Others	14.4

Source: Department of Statistics, Malaysia.

Exports by Sectors (1999)

Sectors	US\$ billion	% share
Manufactured goods	69.9	82.6
Agriculture	7.9	9.3
Mining	6.0	7.1
Others	0.8	1.0
Total	84.6	100%

Source: Department of Statistics, Malaysia.

Exports of Manufactured Goods 1995/1999

Sectors	1995 US\$ bil.	% share	1999 US\$ bil.	% share
Resource Based	6.0	15.5	8.5	12.1
Electrical & Electronics	25.4	65.6	48.8	69.8
Other Non-Resource Based	4.3	11.1	10.2	14.6
Other Manufactures	2.9	7.8	2.4	3.5
Total	38.7	-	69.9	-

Source: Department of Statistics, Malaysia.

FDI Inflows into ASEAN

(US\$ billion)

Country	1994	1995	1996	1997	1998*
Brunei	0.006	0.013	0.011	0.005	0.004
Cambodia	0.069	0.151	0.294	0.204	0.140
Indonesia	2.1	4.3	6.2	4.7	-0.356
Lao PDR	0.059	0.088	0.128	0.086	0.045
Malaysia	4.3	4.2	5.1	5.1	3.7
Myanmar	0.091	0.115	0.038	0.124	0.040
Philippines	1.6	1.5	1.5	1.2	1.7
Singapore	8.5	7.2	7.8	9.7	7.2
Thailand	1.4	2.1	2.3	3.7	6.9
Vietnam	1.5	2.0	2.5	2.9	1.9
Total	19.68	21.65	25.98	27.81	21.4

* Estimates

Source: World Investment Report 1999, UNCTAD.

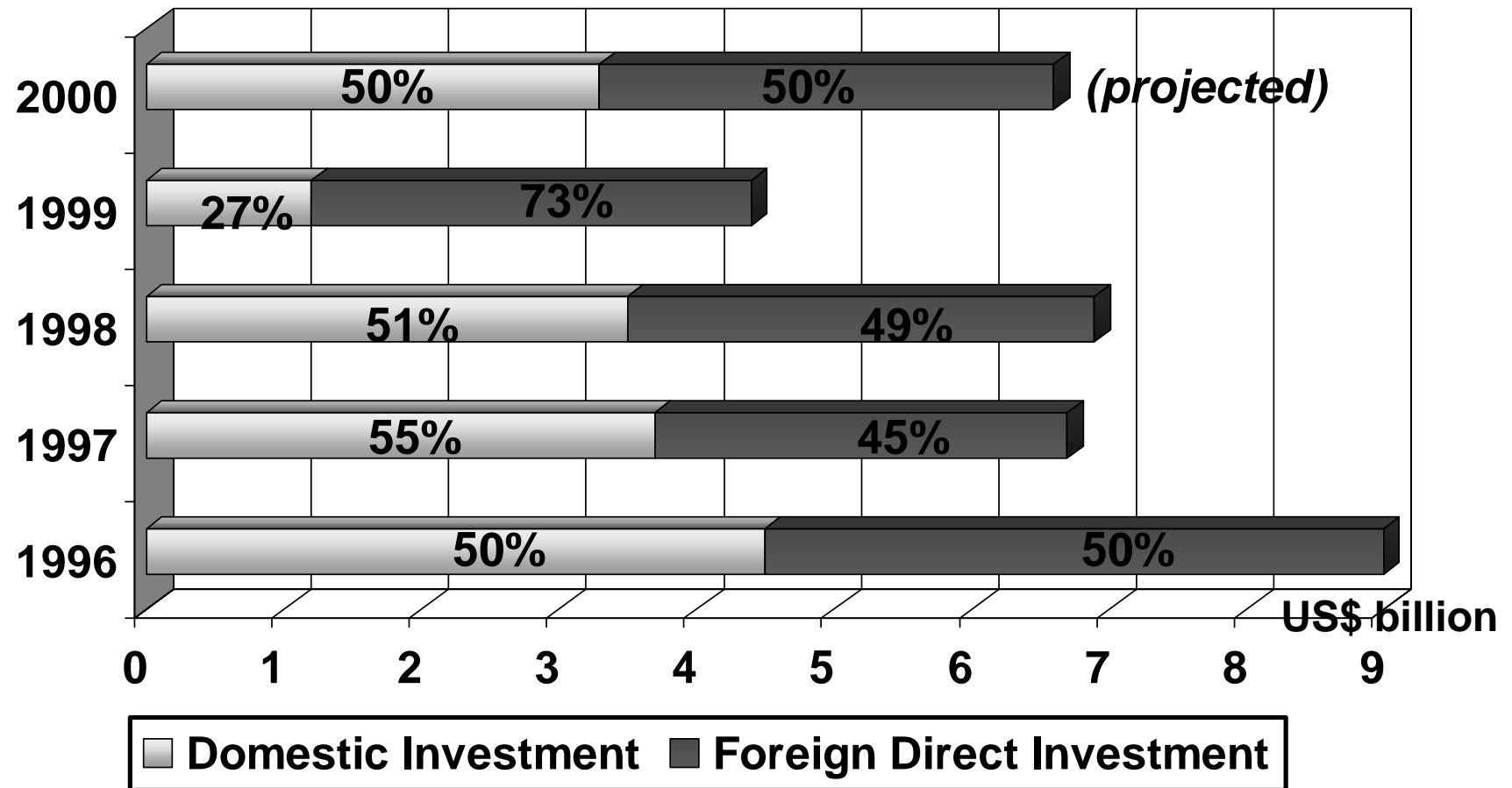
Inward FDI Stocks in ASEAN

(US\$ million)

Country	1990	1998
Brunei	30	88
Cambodia	498	1,065
Indonesia	38,883	61,116
Lao PDR	14	471
Malaysia	10,318	41,005
Myanmar	173	1,139
Philippines	3,268	10,133
Singapore	28,564	85,855
Thailand	8,209	19,978
Vietnam	294	12,919

Source: ASEAN Investment Report, 1999.

Approved Manufacturing Projects (1996-2000)



Source: Malaysian Industrial Development Authority (MIDA).

Development Objectives

- **Eradicate poverty.**
- **Restructuring of society.**
- **Establish a more united and just society.**
- **To be a fully developed nation in all aspects by year 2020.**

Development Approaches

- **A system of free enterprise in almost all sectors of the economy.**
- **Government provides the broad thrusts and directions for the whole economy through the various National Plans.**
- **Public and private sector activities are coordinated and monitored in a systematic manner.**
- **Transparent policies, rules and regulation.**
- **Restriction on entry and market access imposed on limited domestic-oriented sectors to ensure the achievements of socio-economic goals.**

Investment Promotion Strategies

- **Radical investment promotion drive started in late 60s when the Government decided to promote industrial development as a means of**
 - **accelerating growth and development.**
 - **diversifying the economy.**
 - **generating new employment opportunities.**
 - **creating other business activities.**

Industrialisation

1960s - Import substitution.

1970s - Export orientation.
- Investment in heavy industries.

1980s - Resource-based industrialisation.

1990 onwards

- Value-added manufacturing.**
- Widening/broadening industrial base.**
- Manufacturing plus-plus.**

Investment Promotion

- **Aggressive promotion of FDI in the manufacturing sector.**
- **Adopted an open and liberal policy on FDI**
 - **Up to 100% ownership in projects which are export-oriented, capital and technology intensive.**
 - **Free repatriation of profits and dividends.**
 - **Liberal exchange policy.**
 - **Liberal employment of key expatriates.**
 - **Allow ownership of industrial and residential properties.**

Domestic Oriented Industries/Activities

- **Maximum 30% foreign ownership limited to the following:**
 - **paper and plastic packaging.**
 - **plastic components.**
 - **metal stamping, fabrication and electroplating.**
 - **wire harness.**
 - **printing.**
 - **steel service centre.**

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Domestic Oriented Industries/ Activities (cont'd)

Foreign Ownership Allowed

- **Services Sector:**
 - **Finance**
 - **Stockbroking** : **49%**
 - **Insurance** : **51%**
 - **Telecommunication** : **61%**
(within 5 years reduced to 49%).
 - **Transportation**
 - **Shipping** : **70%**
 - **Forwarding** : **49%**
 - **Wholesale and retail** : **30%**
- **Multimedia Super Corridor (MSC)** : **100%**
- **Mergers and take-overs** : **on the average 30%**

Strategies: Investment Promotion

- **Attractive package of incentives, both fiscal and non fiscal.**
- **Massive Government investment in development and provision of Free Zones, Industrial Estate, Ports, Airports, Highways, Energy and other facilities.**
- **Privatisation of some public enterprises to reduce Government's financial burden and to stimulate domestic enterprises.**

Privatisation Programme

- **Introduced in 1983.**
- **Guided by the Privatisation Masterplan.**
- **As at 1999 – a total of 457 projects have been privatised with a total cost of US\$ 36.8 billion.**
- **Major projects privatised:**
 - **Construction/infrastructure.**
 - **Government services.**
 - **Finance.**
 - **Electricity, gas & water.**

Mode of Privatisation

- **Sale of Assets**
- **Build-Operate-Transfer**
- **Build-Operate-Own**
- **Corporatisation**
- **Build-Transfer**
- **Management Contract**
- **Sale of Equity**
- **Lease of Assets**

Strategies: Focused Institutional Back-up

- **The Cabinet (meets weekly).**
- **23 Ministries assisted by key Agencies/Departments.**
- **The Ministry of International Trade and Industry is assisted by its agencies:-**
 - **Malaysian Industrial Development Authority (MIDA) - A one stop investment promotion agency.**
 - **Malaysian External Trade Development Corporation (MATRADE) - Export promotion.**
 - **Small and Medium Industries Development Corporation (SMIDEC) - SMI development.**
 - **Malaysian Technology Development Corporation (MTDC) - Technology development.**

MIDA

- **Established in 1967.**
- **The principal Government Agency responsible for the promotion and coordination of industrial development in the country.**
- **Principle Activities:-**
 - **Promotion of FDI and Domestic Investment (15 overseas centres and 10 state offices).**
 - **Evaluation of applications for manufacturing licences, incentives, duty exemptions, technical agreements and expatriate position.**
 - **Industrial planning.**

MIDA – Advisory Services Centre

- **Ministry of Human Resource**
- **Immigration Department**
- **Royal Customs and Excise Department**
- **Department of Occupational Safety and Health**
- **Department of Environment**
- **Ministry of Finance**
- **Telekom Malaysia Berhad**
- **Tenaga Nasional Berhad**

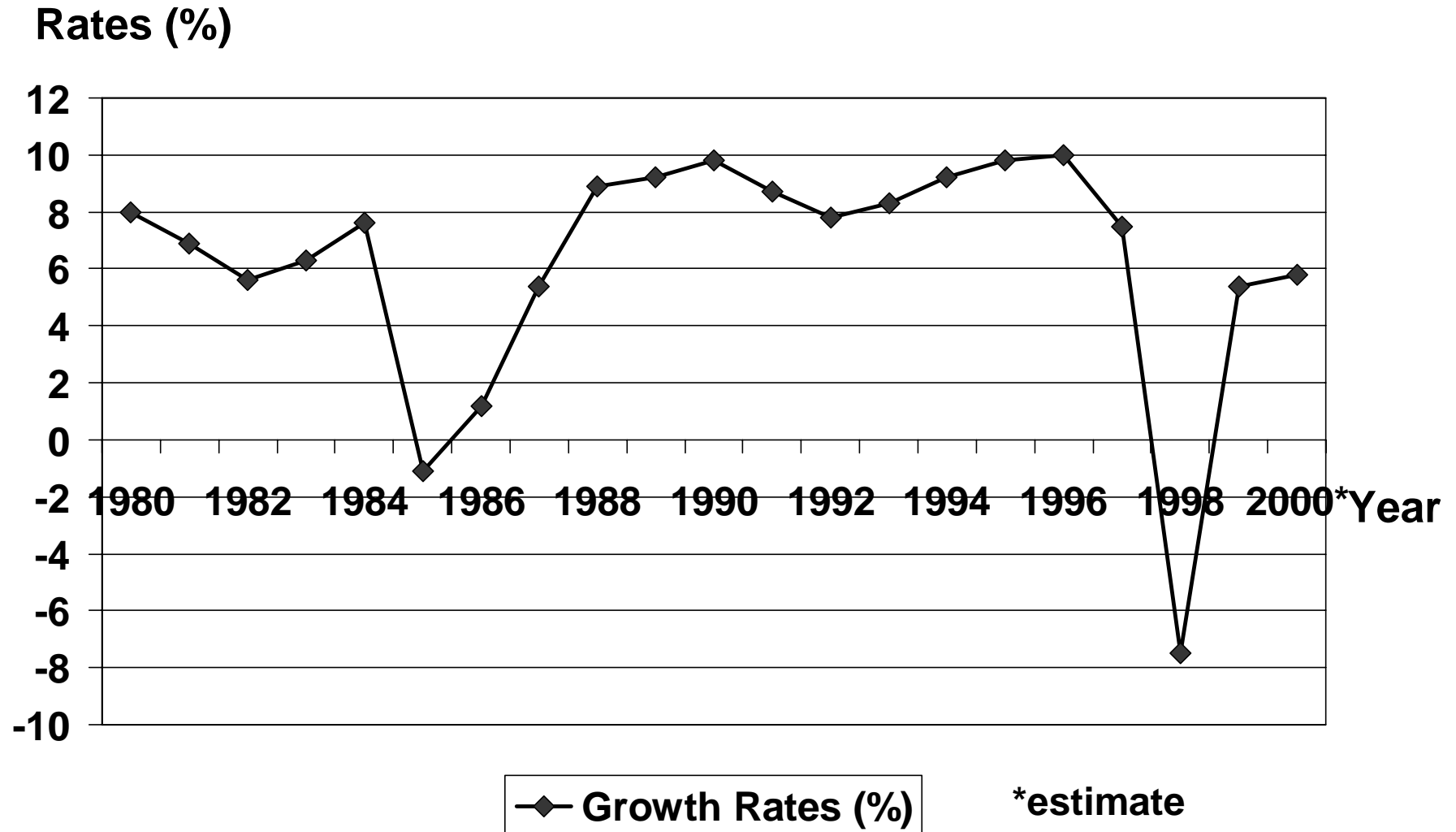
Promotional Tools – General and Targetted Outreach Programmes

- Regular investment missions to capital exporting countries i.e. USA, Europe, Japan, South Korea, Japan.
- Frequent domestic investment seminars/workshop.
- Publication and dissemination of promotional materials.

Coordination – At all levels

- **Regular consultation with the private sector**
 - **as inputs to National Plans and Annual Budgets.**
 - **as feedback on current government policies, rules and regulations.**
- **Regular reviews of policies, incentives and procedures to improve Malaysia's investment climate.**

Malaysia's Growth Rates from 1980 - 2000



Crisis Management: In house Corrective Measures

- **Crisis periods**
 - **Mid 80's**
 - **1997-1998**
- **Mid 80's - The world recession impacted prices of Malaysia's commodities.
Consequence - reduction in Government's revenue and contraction of the economy.**
- **Corrective measures:**
 - **reduced government expenditure.**
 - **stepped-up privatisation programmes.**
 - **adopted more growth strategies through opening up of the manufacturing sector.**

Crisis Management – In house Corrective Measures (cont'd)

- **The 1997 financial crisis: - contagion effect of the devaluation of the Thai Bhat plus speculative attacks on other regional currencies.**
- **Consequences:**
 - **short term capital flight.**
 - **depreciation of Ringgit.**
 - **contraction of the economy.**
 - **decline in private investment.**
 - **crisis of confidence.**

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Crisis Management – In house Corrective Measures (cont'd)

- **Corrective Measures:-**
 - **Establishment of the National Economic Action Council (NEAC).**
 - **Introduction of short-medium term recovery measures through the National Economic Recovery Plan (NERP).**
 - **Major measures implemented:**
 - **selective exchange controls.**
 - **injection of public funds to finance infrastructure projects.**

Crisis Management – In house Corrective Measures (cont'd)

- **encourage FDIs through further opening up of the manufacturing and selected service sectors.**
- **set up special mechanism to undertake management, recapitalisation and consolidation of the affected financial and corporate sectors.**
- **stepped up public campaign to restore confidence.**

Outlook

- **Positive growth trends.**
- **Healthy economic fundamentals.**
- **Investment confidence returning.**
- **Private sector investment and financing rebounded to resume its role as the engine of growth.**

The Next Step – Era of Sustainable Growth

- **Focus investments on building value-added, enhancing knowledge, R&D and technology base and developing human resources.**
- **Finalise and implement:-**
 - **The K-Economy Masterplan.**
 - **The Third National Development Plan (2001-2010).**
 - **The SMI Master Plan.**
- **Transform the agriculture sector into a modern, dynamic and competitive one through injection of public and private sector investments.**

*Thank
You*

