Culturing Pearl of the Orient

This is the first of a two-part article on the success of Penang evolving from a primary-based economy to a highly industrialised economy. It is due, in no small measure, to the development and industrial plans introduced by the Federal Government since Independence, especially after 1970.

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LAST year, Malaysia’s approved investments continued on a sharp recovery trend with total approved investments in the manufacturing sector recording a value of RM56.1bil compared with RM47.2bil in 2010.

Penang, Selangor, Sarawak and Johor topped the table with RM9.1bil, RM8.7bil, RM8.5bil and RM6.6bil, respectively. Penang has consistently been among the top investment destinations over the last four decades.

The island state is a manifestation of the success of Malaysia’s evolution from a primary-based to a highly industrialised economy.

The success of the transition of the Malaysian economy is due, in no small measure, to the development and industrial plans introduced by the Federal Government since Independence, especially after 1970.

A major thrust of these plans was to promote the growth of private investments, both local and foreign.

These plans combined with a politically stable environment, effective policy and implementation framework, commitment to the development of infrastructure, and the provision of education and skills training, were crucial in making Malaysia a competitive investment destination.

The Free Trade Zone Act 1971, which was a result of the collaborative efforts of then prime minister Tun Abdul Razak and Penang Chief Minister Tun Dr Lim Chong Eu, and the Promotion of Investments Act 1986 were among the key policy instruments that provided a conducive framework to attract investments.

In 1965, the responsibility of promoting investments was assigned to the Federal Industrial Development Authority (Fida), forerunner of the now Malaysian Investment Development Authority (Mida).

With clear directions embodied in various economic and industrial master plans, Fida, and then Mida,
was able to generate investment growth at exponential rates.

Compared to RM4bil in the 1980s, approved investments for Penang increased five times to RM20bil in the 1990s, and doubled again to RM40bil between 2000 and 2008.

Between 1980 and 2011, there were 3,240 projects with a total investment of RM86.9bil approved for Penang, generating 421,299 direct employment opportunities.

Mida’s main responsibilities are to promote Malaysia as an attractive and competitive investment destination, to provide information on the opportunities for investments in Malaysia, target and entice potential investors, facilitate companies which are looking for joint venture partners, handhold and assist investors in obtaining all necessary approvals for projects until they are operational.

These include direct consultation and cooperation with relevant authorities at both the Federal and state levels in matters such as securing infrastructure facilities, including land, factory sites, electricity and water supplies, telecommunication, expediting approvals relating to building plans, certificates of fitness and business licences.

Mida also supports existing companies in planning expansion, diversification and reinvestments.

The setting up of Mida has been instrumental in making Malaysia a premier investment destination in the region.

Penang has been a major beneficiary of the nation’s aggressive drive to secure investments.

The Government’s continued efforts in providing adequate and quality infrastructure have enhanced the investment attractiveness of Penang.

Since the 1970s, the Government has been expanding and upgrading Penang’s infrastructure.

The Penang Airport at Bayan Lepas was developed into an international airport by 1977, further expanded in 2000 and is now again undergoing major expansion.

The Penang Bridge was completed in 1985. Certainly, Penang would not be what it is today without the bridge.

Phase One of the North Butterworth Container Terminal (NBCT) was completed in the early 1990s and has been further expanded since.

The North-South Highway was completed in 1994, the Butterworth-Kulim Highway opened for traffic in 1996 and Penang is connected to the east coast of peninsular Malaysia via the East-West Highway, which was opened in 1982.

Perhaps the most critical investment made by the Government that continues to make Penang attractive is the setting up of Universiti Sains Malaysia (USM) in 1969 as the second university in the country.

This led to the successful nurturing of a highly skilled and knowledgeable workforce.

The educated, English-speaking and trainable workforce in Penang was a key attraction to foreign direct investments (FDI) in the early days of the state’s industrialisation.

Today, thanks to USM and the growing number of training institutions in Penang, the state’s workforce not only manages local operations but also runs and oversees the operations of many of the MNCs’ offshore plants.

Additionally, some MNCs’ design engineers are Penangites, who have produced a large number of quality patents.

The state government responded to efforts at the Federal level with its own set of policies and strategies.

Under the leadership of Chong Eu, the Penang Government introduced a master plan for the development of the state.

(Part Two tomorrow: The Malaysian Investment Development Authority’s efforts in the early years, in collaboration with the state government, specifically the Penang Development Corporation, brought globally renowned corporations to Penang’s shores and changed the state’s industrial landscape.)