

The Sixth Malaysia Plan (1991-95), which sets out the government's strategy and policy objectives for economic development, seeks to diversify Malaysia's industrial base, enhance human resource development, promote technological upgrading, and reduce imbalances among sectors and regions of the country. The plan envisages economic growth of 7.5 percent a year, until 1995.

Due to (i) increased foreign investment (particularly in the electronics sector), (ii) favourable world prices for exports, and (iii) the government's deliberate policy to maintain the ringgit comparatively low against the currencies of Malaysia's major trading partners, manufacturing is expected to retain its position as the largest sector in the economy. With an average growth rate of 11.5 percent per year, it is expected to account for more than 32 percent of the GDP by 1995.

Construction is targeted to expand 8 percent each year while agriculture is expected to grow at only 3.5 percent annually and to lessen its share of the economy to 15.5 percent in 1995.

Real GDP growth is expected to continue at over 7 percent per year for several years. That combined with Government programs which support accelerated infrastructural growth means that Malaysia offers tremendous potential for Canadian business.

## **BUSINESS ENVIRONMENT**

Malaysia's economic growth of the last few years at annual rates of 8-9% has resulted in a burgeoning manufacturing sector, fuelled by strong influx of foreign investments. Due credit must be given to the Government for its management of the twin economic problems of inflation and the current account deficit. Inflation is kept a manageable 4-4.5%. The current account deficit is expected to decrease as exports from manufacturing projects approved 2-3 years ago come onstream and the value of imports is reduced arising from a stronger Ringgit.

However, the rapid pace of development has also brought with it other emerging problems such as a tight labour market, particularly in the construction and plantation sectors resulting in the need to import labour from neighbours like Indonesia, Sri Lanka and the Philippines. At an unemployment rate of 5%, the country is officially operating on full employment. As such, the thrust of the next phase of the Governments' development initiatives will emphasize mechanization and automation as a longer term solution to broadening the manufacturing base. High-tech and linkage industries will be encouraged through a myriad of tax incentives and subsidies.