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R E024 AAE

MAHATHIR-INDUSTRIALISATION (NEWS ANALYSIS)

BY AZMAN UJANG

KUALA LUMPUR, SEPT 11 (BERNAMA) -- EFFORTS TO MAKE MALAYSIA AN INDUSTRIALISED COUNTRY BY THE TURN OF THE CENTURY ARE GATHERING STEAM AMIDST BETTER THAN EXPECTED ECONOMIC GROWTH RATES AND THE RISE OF MANUFACTURING AS THE ECONOMY'S LARGEST SECTOR, DISPLACING PRIMARY COMMODITIES.

PRIME MINISTER DATUK SERI DR MAHATHIR MOHAMAD HAS ALSO GIVEN WHAT COULD BE THE GOVERNMENT'S STRONGEST ASSURANCE SO FAR THAT THE MAKING OF AN INDUSTRIALISED MALAYSIA IS NO LONGER A PIPE DREAM.

AT THE ANNUAL DINNER OF FINANCIAL INSTITUTIONS HERE ON MONDAY, HE MADE KNOWN THE DIRECTIONS WHICH MALAYSIA WILL TAKE ON THE ROAD TOWARDS THIS OBJECTIVE.

THE CLEAR ECONOMIC OPTION FOR MALAYSIA, HE SAID, IS TO BE A NICHE PLAYER, GOING FOR THE HIGH VALUE-ADDED PRODUCTS THAT CAN BE COMPETITIVELY MADE USING THE COUNTRY'S OWN NATURAL RESOURCE BASE AND COMPARATIVE ADVANTAGES.

THIS STRATEGY MARKS A MAJOR SHIFT IN HOW MALAYSIA EXPECTS TO GO ABOUT ITS INDUSTRIALISATION PROGRAMME IN THE YEARS AHEAD AFTER HAVING EMBARKED ON A NUMBER OF HEAVY INDUSTRIES IN THE EARLY 1980'S WHICH HAVE YET TO FIND A MARKET NICHE. -- MORE

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THE PREVIOUS APPROACH LED TO THE CREATION OF THE STATE-OWNED HEAVY INDUSTRIES CORPORATION OF MALAYSIA (HICOM), WHICH COUNTS AMONG ITS PROJECTS A STEEL MILL AND THE NATIONAL CAR.

BUT THE MULTI-BILLION DOLLAR INVESTMENTS IN THESE +HEAVIES+ HAS EXPERIENCED SOME FUNDAMENTAL DIFFICULTIES, PROMPTING MAJOR OPERATIONAL REORGANISATIONS, NOW UNDERWAY, TO IMPROVE THEIR VIABILITY.

THE PRIME MINISTER WAS PERHAPS REFERRING TO THESE PROBLEMS WHEN HE TOLD BANKERS AT THE DINNER: +GIVEN THE SMALL SIZE OF OUR LABOUR FORCE AND THE PRESENT LEVEL OF RESEARCH AND DEVELOPMENT, WE CANNOT COMPETE WITH JAPAN, SOUTH KOREA AND TAIWAN IN THE HIGH END OF TECHNOLOGY AND ENGINEERING.+

+THE TIME HAS COME FOR US TO DWELL NO LONGER ON THE PROBLEMS OF THE MID 1980'S, BUT LOOK FORWARD TO THE NEXT MILLENNIUM, THE 21ST CENTURY.+

MALAYSIA'S MANUFACTURING SECTOR HAS BEEN TRANSFORMED WITHIN ONLY A DECADE OR SO FROM THE ECONOMIC BACKWATERS TO ITS CURRENT POSITION AS THE EXCITING NEW ENGINE OF GROWTH, AND THUS IS EXPECTED TO LEAD THE CHARGE TOWARDS INDUSTRIALISING THE COUNTRY. -- MORE

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MAHATHIR-INDUSTRIALISATION 3 KUALA LUMPUR (NEWS ANALYSIS)

THE CRUCIAL QUESTION SURROUNDING MALAYSIA'S QUEST FOR +INDUSTRIALISED+ STATUS HAS TO BE WHAT TYPE OF MANUFACTURES IT SHOULD PRODUCE TO AVOID GRAPPLING WITH SIMILAR PROBLEMS WHICH SURFACED WITH THE HEAVY INDUSTRIES.

ECONOMISTS TOLD BERNAMA THAT DR MAHATHIR'S ARGUMENT THAT MALAYSIA MUST BE A NICHE PLAYER TO PRODUCE MORE VALUE-ADDED PRODUCTS +MAKES A LOT OF SENSE+ AS IT WAS THIS STRATEGY WHICH ENABLED JAPAN TO BECOME THE WORLD'S MOST EFFICIENT ECONOMY, WHILE SOUTH KOREA AND TAIWAN ARE ALSO BOOMING BY DOING THE SAME.

MALAYSIA, ON THE OTHER HAND, STANDS TO GAIN FROM THE JAPANESE NICHE STRATEGY OF RELOCATING THE +SMOKESTACK+ OR THE POLLUTING INDUSTRIES. THE IDEA IS TO RELOCATE PLANTS IN COUNTRIES THAT HAVE CHEAP ENERGY SOURCES AND, AS ONE ECONOMIST PUT IT +THOSE THAT ARE NOT SO ENVIRONMENTALLY CONSCIOUS+.

+BUT WE DON'T HAVE TO BE ANOTHER SINGAPORE, TAIWAN OR SOUTH KOREA ... OUR NICHE WILL HAVE TO BE RESOURCE-BASED, LIKE TAPPING OUR ENERGY SOURCES. SO WHAT THE PRIME MINISTER IS TOYING WITH IS A SMART MOVE,+ HE SAID.

THE COMPARATIVE ADVANTAGE IN THE MANUFACTURING SECTOR VIS-A-VIS THE COMMODITY SECTOR IS THAT THERE IS REALLY NO LIMIT TO WHAT THE COUNTRY CAN MANUFACTURE, WHILE THE PRODUCTION OF COMMODITIES CAN GROW BY ONLY SO MUCH.

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MAHATHIR-INDUSTRIALISATION 4 KUALA LUMPUR (NEWS ANALYSIS)

EVEN WITH RAPID GROWTH, MALAYSIA'S TOTAL ANNUAL EXPORT OF MANUFACTURES

-- UP SHARPLY BY 38 PERCENT TO \$5.7 BILLION IN THE FIRST QUARTER OF THIS YEAR OVER THE YEAR-AGO FIGURE -- WILL NOT BE A THREAT TO ANY MARKET.

ALTHOUGH MANUFACTURING IS NOW THE ECONOMY'S LARGEST SECTOR, ACCOUNTING FOR 22.4 PERCENT OF GROSS DOMESTIC PRODUCT (GDP), MALAYSIA'S ANNUAL EXPORTS OF MANUFACTURES ARE SMALLER THAN THE ANNUAL US CONSUMPTION OF TOYS.

THE TREND EMERGING IN THE WORLD MARKET TODAY IS THAT THE CONSUMER WANTS TO HAVE GREATER CHOICE FOR BASICALLY THE SAME PRODUCT. IN OTHER WORDS, HE WANTS A PRODUCT MADE TO HIS CHOICE OF COLOUR, SIZE AND SHAPE, AND OF COURSE, PRICE COMPETITIVENESS.

ACCORDING TO THE PRIME MINISTER, GIVEN THE RIGHT INCENTIVES AND ENCOURAGEMENT, MALAYSIAN ENTREPRENEURS CAN FIND THE RIGHT PRODUCTS TO FILL THE RIGHT MARKET NICHE.

+WE ONLY NEED TO SEE HOW OUR MANUFACTURED EXPORTS TODAY CAN EXCEED EVEN OUR OIL EXPORTS, TO REALISE THE POTENTIAL OF THE INDUSTRY,+ HE SAID AT THE DINNER. -- MORE

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MAHATHIR-INDUSTRIALISATION 5 KUALA LUMPUR (NEWS ANALYSIS)

ALREADY, MALAYSIA IS INCREASINGLY BECOMING PART OF THE NETWORK OF MANUFACTURING ACTIVITIES THAT SPANS THE WORLD, WITH A SINGLE PRODUCT BEING SOURCED FROM AROUND THE WORLD BEFORE IT IS ASSEMBLED AND SOLD IN ITS FINAL MARKET.

THE RESOURCE-BASED MANUFACTURING SECTOR WHICH IS EXPECTED TO BE THE HEART OF AN INDUSTRIALISED MALAYSIA IS CURRENTLY RIDING ON THE CREST OF BULLISH SENTIMENTS NOT SEEN IN MANY YEARS.

FOREIGN INVESTORS, ESPECIALLY TAIWANESE, JAPANESE AND AMERICANS, ARE FLOCKING TO SET UP PLANTS IN VARIOUS INDUSTRIAL ESTATES AND FREE TRADE ZONES IN THE COUNTRY.

AS A RESULT OF NEW CONCESSIONS IN THE INVESTMENT PACKAGE AND PROMOTION BY INVESTMENT MISSIONS WHICH HAVE BECOME INCREASINGLY SPECIFIC IN APPROACH, THE NUMBER OF MANUFACTURING PROJECTS APPROVED FOR THE FIRST SEVEN MONTHS OF THIS YEAR INCREASED TO 336, THREE MORE THAN FOR THE SAME PERIOD LAST YEAR.

THESE PROJECTS ARE EXPECTED TO BRING IN PROPOSED CAPITAL INVESTMENTS OF \$4.58 BILLION AND SOME 64,000 JOBS, ACCORDING TO TRADE AND INDUSTRY MINISTER DATIN PADUKA RAFIDAH AZIZ. -- MORE
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MAHATHIR-INDUSTRIALISATION 6 KUALA LUMPUR (NEWS ANALYSIS)

OF THE 336 PROJECTS, 301 WERE NEW WHILE THE REST WERE RE-INVESTMENTS.

GROSS EXPORTS OF MANUFACTURED GOODS WERE REPORTED TO BE BUOYANT THIS YEAR WITH DOUBLE-DIGIT GROWTH RATES RECORDED FOR ALL MANUFACTURING SECTORS, ACCORDING TO THE LATEST BANK NEGARA QUARTERLY BULLETIN.

EXCEPTIONALLY STRONG INCREASES OF UP TO 79.8 PERCENT WERE RECORDED IN THE CHEMICAL AND CHEMICAL PRODUCT INDUSTRIES WHILE THE INDUSTRY GIANTS PRODUCING ELECTRONIC COMPONENTS CHALKED UP A 32.8 PERCENT RISE IN EXPORTS COMPARED WITH 19.2 PERCENT IN THE FOURTH QUARTER OF 1987.

EXPORTS OF ELECTRONIC COMPONENTS TOTALLED MORE THAN \$2 BILLION FOR THE FIRST QUARTER OF THIS YEAR, ACCOUNTING FOR OVER ONE-THIRD OF THE TOTAL MANUFACTURED EXPORTS.

MEANWHILE, THE LATEST OFFICIAL FIGURE SHOWED MALAYSIA ONCE AGAIN ACHIEVING THE STRONG GROWTH OF THE LATE 1970'S, WITH REAL GDP GROWTH IN THE FIRST HALF OF THIS YEAR IN THE ORDER OF 9.0 PERCENT, WITH ONLY LITTLE INFLATION.

THE SECOND QUARTER GROWTH RATES SHOT TO 10.3 PERCENT, WAY ABOVE THE DISMAL FIGURES OF ONLY 2.0 PERCENT IN 1987 AND 1.2 PERCENT IN 1986. -- MORE
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MAHATHIR-INDUSTRIALISATION 7 KUALA LUMPUR (NEWS ANALYSIS)

AS THE PRIME MINISTER HIMSELF RECOGNISED, A KEY LIMITING FACTOR TO MALAYSIA BECOMING AN INDUSTRIALISED COUNTRY IS THE PEOPLE'S WILL TO WORK HARD AND TO COMPETE, RATHER THAN SKILLS AND TECHNOLOGY WHICH CAN BE ACQUIRED.

INDUSTRY CIRCLES SAID A COMPELLING FACTOR FOR THE COUNTRY TO STEP UP ITS INDUSTRIALISATION WAS THE RISING UNEMPLOYMENT WHICH STOOD AT 9.0 PERCENT LAST YEAR.

FINANCE MINISTER DATUK PADUKA DAIM ZAINUDDIN, WHEN PRESENTING THE 1988 BUDGET LAST YEAR, DESCRIBED UNEMPLOYMENT AS A +DISTURBING FEATURE+ OF THE ECONOMY, WITH ABOUT 170,000 JOB SEEKERS ENTERING THE LABOUR MARKET EVERY YEAR.

BUT ECONOMISTS SAID MALAYSIA'S UNEMPLOYMENT RATE WAS SERIOUS ONLY BECAUSE JOB-SEEKERS, ESPECIALLY THE SWELLING NUMBER OF GRADUATES, WERE NOT PREPARED TO OPT FOR LESSER JOBS, UNLIKE THEIR COUNTERPARTS IN NEIGHBORING COUNTRIES SUCH AS THAILAND AND THE PHILIPPINES.

WITH MORE MEASURES EXPECTED TO FURTHER HONE THE COUNTRY'S COMPETITIVE EDGE AS IT AS IT BECOMES A BETTER NICHE PLAYER, MALAYSIA'S INDUSTRIALISATION DREAM COULD WELL BECOME A REALITY SOONER THAN EXPECTED. --- BERNAMA

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