

Move for higher stake, linkages in electronics

MUAR, Thurs. Datuk Seri Dr Mahathir Mohamad today cited two crucial issues facing the country's booming electronics industry — low level Malaysian participation and the lack of linkages between the industry and local supporting industries.

The Prime Minister said to rectify this, the Government had decided on additional conditions for the granting of tax incentives pertaining to requirement of local content and the development of linkages with local industries.

"It is also the Government's intention that more local entrepreneurs, particularly Bumiputeras, should venture into supporting industries," he added.

The Prime Minister said this at the official opening of Pioneer Technology (M) Sdn Bhd at Tanjung Agas Industrial estate here this morning.

The plant, which started its operation in August last year, is a Japanese-Malaysian joint venture and pro-

duces compact disc players, receivers, amplifiers and car stereos.

Dr Mahathir said investors should welcome the above conditions for two reasons.

"They (the investors) would enjoy the convenience of component suppliers located nearby, coupled with prompt delivery and good technical services.

"And they would counter the rising cost of components from Japan following the appreciation of the yen which has led to the need to find cheaper sources without compromising quality," he added.

He said this was where the small and medium scale industries could play an important role as suppliers of parts and components to large companies engaged in the production of final products.

The Government, he noted, had established a special vendor development programme to facilitate the development of SMIs in the country.

"In 1992, the Government introduced the Electrical and Electronics Components Scheme in the consumer electronics sub-sector for this purpose," he added.

Dr Mahathir said the electronics sub-sector was a strong driving force within the all-important manufacturing activities in the country, registering a remarkable output growth rate of 29.6 per cent annually between 1988 and 1993.

In 1993, total export of electronics products was valued at RM46.7 billion, of which RM5.4 billion was made up of audio products.

"Recognising the important contribution of the electronics industry to the economy, the Government has always provided support and encouragement in terms of ensuring the prevalence of the appropriate investment climate for its growth.

"The basic thrust of the Government policy will be to diversify the industry, not only to enable the pro-

duction of a wider range of electronic products but also to create a more effective forward and backward linkages," he said.

Later, when launching the 20th anniversary celebrations of SGS-Thomson Sdn Bhd also in Tanjung Agas, the Prime Minister again spoke of the need for more diversification within the country's electronics industry.

He said while small and medium-sized corporations were encouraged to venture into the electronics industry, the larger companies should produce higher value-added electronic products.

This, he added, could be implemented through greater investment in research and development activities and improvement in design capabilities.

Dr Mahathir praised SGS-Thomson for its fine R&D efforts.

"Through its R&D team here, SGS-Thomson has created equipment to reduce cycle time of production.

"I am told that this innovation has been adopted by other SGS-Thomson plants the world over.

"The SGS-Thomson Corporation worldwide is emulating the organisation by adopting the Total Quality Management concept which won the SGS-Thomson (Muar) the Prime Minister's Quality Award last year.

SGS-Thomson Sdn Bhd, a Malaysian-Italian joint venture, produces a wide range of micro-electronics products and has invested RM620 million at its Muar plant since it started operations in 1974.

Dr Mahathir said the company could also take pride in having contributed significantly in the industrial growth of Muar and to the development of supporting industries in the vicinity.

He also commended the plant for its commitment towards a clean environment by winning the Best Landscaping Award and the Benevolent Employer Award recently.