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Dr M: Region's SMIs must be competitive

SMALL- and medium-sized industries (SMIs) in Asean (Association of South-East Asian Nations) will have to rely less on government assistance and more on each other to remain competitive.

Prime Minister Datuk Seri Dr Mahathir Mohamad said with changes taking place globally in terms of competition, ways of doing business and changes in the trading and investment environment, SMIs in the region must be prepared to undertake changes to survive competition and be an important contributor to economic development.

In the midst of this wave of change, the agility and ability to adjust and respond flexibly to the market needs and demands are essential to SMIs.

"While the Government can provide some assistance and facilities to spearhead the development of the SMIs, it is for the entrepreneurs themselves to use their creativity and innovative strategies to build up their market niches, both domestically and globally," Dr Mahathir said when opening the Asean-East Asian Business Forum in Kuala Lumpur yesterday.

The Prime Minister said the competitiveness of the SMIs can no longer be relied on cost-efficiency alone, for equally important is the ability to offer products and services with higher quality and greater value-added, at internationally competitive prices.

The SMIs must not only concentrate on building up entrepreneurial expertise, but be competitive in the ever dynamic market place.

They must be vigilant and be able to keep abreast of the changes in the international trading environment and be able to produce and export world-class products to remain competitive, he said.

In meeting these challenges, SMIs in this region must adopt a global perspective in their manufacturing and marketing operations, invest in the right type of technology and processes that can contribute to efficient production and undertake research and development to develop new and improved products.

And with globalisation, Dr Mahathir said, there is a greater need for countries to collaborate and foster strategic alliances.

The Prime Minister noted that unlike some East Asian countries such as Japan and South Korea, the SMIs in most Asean economies are still weak in terms of inter-firm linkages with their larger counterparts.

"These linkages are important to ensure the strengthening of the industrialisation base of the economy in addition to providing market access and the opportunities for cross-border transfer of technology and sharing of technical expertise.

"It is therefore the task of organisations in the respective Asean countries to learn from these East Asian countries and to try to adopt and adapt the strategies to suit the requirement of each country," he said.

Dr Mahathir said the different levels of economic development of Asean and East Asian countries provide opportunities for developing and forging common strategies to exploit the complementarities in resource endowment and capabilities.

International Trade and Industry Minister Datuk Seri Rafidah Aziz, speaking to reporters after the opening ceremony, attributed the weak inter-firm linkages in most Asean countries to the fact that large corporations do not know of the capabilities of SMIs in the supply of

parts and components as well as services.

The SMIs, too, are not aware of the needs of these large corporations.

She added that there is a need to bring together the capabilities of SMIs and the needs of large corporations in the supply of parts and components to effect stronger inter-firm linkages in Asean countries.

Rafidah said the needs of these large corporations may range from parts and components that are currently sourced locally or ones that are imported.

"In doing so, we can develop local and Asean firms that have the capability in terms of capacity, volume and technology to produce such parts and components where a majority of these components involve high technology and precision production processes.

"With industrial linkage programmes such as the ones that are under the purview of the ministry, we can bring together existing and future manufacturers of these parts and components with the large corporations," she said.

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